

[Translation]

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June 29, 2022  
Takara Bio Inc.

## **Takara Bio Corporate Governance Policy**

### **I Basic Concept**

Guided by Takara Bio corporate philosophy of “Contributing to the health of humankind through the development of revolutionary biotechnologies such as gene therapy,” we are promoting the development of platform technologies for biologics through the core businesses of Reagents and Instruments and CDMO business, and aiming to become a biologics development company\* that continuously creates new modalities. Going forward, we will continue to create new value through proactive business activities, achieve sustainable growth, and contribute to society.

At the same time, we consider it is important to enhance retained earnings in order to implement R&D activities positively. We are currently at the stage of making advance investments in R&D. The current three-year Medium-Term Management Plan FY2023, which will be in its final year in 2023, promotes our business growth and management base-strengthening strategies. During this three-year period, we will work to realize the goals set forth in our Long-Term Management Plan FY2026, which will be in its final fiscal year in 2026, by actively investing R&D and building a foundation for growth.

Meanwhile, it is our goal to operate in a way that recognizes maintenance of financial health and capital efficiency, as specifically evidenced by the emphasis on operating income (10,000 million yen) and ROE (8%) in our current management targets.

Furthermore, appropriate shareholder returns conscious of capital efficiency are also positioned as an important management issue so our basic policy is to return profits while taking management results and financial conditions into overall consideration.

We are conscious that in order to achieve the sustainable growth and the improvement of its medium to long-term corporate value based on the corporate philosophy in this way, it should strive for appropriate cooperation with various stakeholders including shareholders, employees, customers, business partners, creditors, and local communities. Consequently, we need a corporate governance system to promote sincere and fair corporate activities at all times, and will establish and work on the specific policy below.

\* We define our business model as a company that derives revenues from licensing out newly developed modalities (therapies) rather than a business model for a fully integrated pharmaceutical company that completes all of its pharmaceutical R&D, manufacturing, and sales functions in-house.

## **II Specific Policies on Corporate Governance**

### **1. Securing the Rights and Equal Treatment of Shareholders (General Principle 1)**

We shall take appropriate measures for the actual securement of the rights of all shareholders, the maintenance of the environment related to the exercise of rights and the securement of substantial equality.

#### **(1) Securing the Rights of Shareholders (Principle 1-1)**

We shall strive to maintain an environment that enables timely and appropriate information disclosure and the smooth exercise of voting rights so that the rights of shareholders, including the right to vote at a general meeting of shareholders, can be substantially secured.

- The Board of Directors shall accept sincerely the results of the exercise of voting rights at a general meeting of shareholders, and when there is recognized to be a company proposal to which about 20% of votes object, analyze the reasons for the objection and the cause of the increase in the number of objections, and consider future handling. (Supplementary Principle 1-1[1])
- We have introduced an Executive Officer system aimed at separating the Board of Directors as a management decision-making and supervisory organization from work execution functions based on that decision-making. The Articles of Incorporation stipulate to the effect that we may obtain a resolution on the acquisition of treasury stock, which is part of the agenda of a general meeting of shareholders, based on a resolution of the Board of Directors. (Supplementary Principle 1-1[2])
- We shall protect the rights of shareholders and strive for the securement of substantial equality for all shareholders. In addition, with regard to the exercise of rights by shareholders recognized under the Companies Act, such as requests to view the register of shareholders and the minutes of meeting of the Board of Directors, raise a shareholder proposal at a general meeting of shareholders, or file for an injunction against an illegal act by Directors or a shareholder lawsuit, etc., we have established the methods for the exercise of rights in the Share Handling Regulations and shall give due regard to ensuring the exercise of those rights is not prevented in fact. (Supplementary Principle 1-1[3])

#### **(2) Exercise of Shareholders Rights at General Shareholders Meetings (Principle 1-2)**

We recognize that a general meeting of shareholders is a place for constructive dialogue with shareholders and shall set the date and venue for the holding of a meeting so that as many shareholders as possible can attend. In addition, we shall secure practical opportunities for the exercise of rights by holding general meetings of shareholders legally and properly in accordance with laws and regulations, etc. We consider developing an appropriate environment within which shareholders can exercise their voting rights more easily, including the exercise of voting rights via the internet, etc.

- We think that information that may conceivably contribute to shareholders making appropriate judgments at a general meeting of shareholders should be provided appropriately as required. For this reason, after being resolved upon by the Board of Directors, we shall disclose the agenda for general meetings of shareholders, which we judge to require a sufficient review period for shareholders, promptly on our website and the “Timely Disclosure Network”, a website of the Tokyo Stock Exchange. (Supplementary Principle 1-2[1])
- We shall strive for the early delivery of notices of the convocation of general meetings of shareholders so that shareholders can secure a sufficient period to review the meeting agenda. In addition, convocation notices shall be sent at least three days prior to the statutory deadline and disclosed on our website and the “Listed Company Search” on the Tokyo Stock Exchange website before being sent. (Supplementary Principle 1-2[2])
- We think that from the perspective that a general meeting of shareholders is an opportunity for dialogue with shareholders, we should give consideration to the schedule so that as many shareholders as

possible can attend a general meeting of shareholders. We shall set the date for holding the general meeting of shareholders each year avoiding dates on which many companies' general meetings of shareholders are predicted to be held. (Supplementary Principle 1-2[3])

- Based on our shareholding ratios of institutional investors and overseas investors, etc., we enable the electronic exercise of voting rights via the internet and uses an electronic platform for the exercise of voting rights as part of the improvement of the environment for institutional investors to exercise voting rights easily. In addition, we also promote the translation into English of notices of convocation to ensure convenience for overseas investors. (Supplementary Principle 1-2[4])
- We currently do not allow an institutional investor, etc., that holds shares in the name of a trust bank, etc., to attend a general meeting of shareholders to exercise voting rights in place of the trust bank, etc., in view of consistency with the law and the Articles of Incorporation and the current circumstances of the work of counting voting rights exercised in advance. However, if there is an application for attendance at a general meeting of shareholders a considerable period in advance through a shareholder on the register of a trust bank, etc., we will allow attendance. (Supplementary Principle 1-2[5])

(3) Basic Strategy for Capital Policy (Principle 1-3, 1-6)

[1] We think that enhancing retained earnings is important for implementing R&D activities positively. We are currently at the stage of making advance investments in R&D and in view of the importance of capital efficiency, our policy is to aim for sustainable profit growth while absorbing the increase in R&D expenses for the time being. Consequently, we are positioning operating profit as the most important management indicator for the present.

We also position the return of profits to shareholders as an important management issue, and our basic policy is to return profits giving comprehensive consideration to management results and financial conditions. Specifically, the Company's policy is to pay dividends from retained earnings on the basis of the latter half of 30% of the estimated net income, which is calculated without taking into account extraordinary gains and losses in the consolidated financial statements. (Principle 1-3)

[2] Our policy in the event that we are to implement capital policies in fund procurement that will bring changes in control or the large-scale dilution of holdings such as capital increase or management buyout (MBOs) is for the Board of Directors to examine in full their necessity and reasonableness, etc., and explain to shareholders and investors in full so that the interests of existing shareholders are not unfairly harmed. (Principle 1-6)

(4) Cross-Shareholdings (Principle 1-4)

We do not currently hold shares of other listed companies as strategic cross-share stockholdings, and our basic policy is not to have in the future.

(5) Anti-Takeover Measures (Principle 1-5)

We recognize that continuing sustainable growth and improving corporate value is its most important issue, and no anti-takeover measures have been introduced at present.

- If we are subject to a takeover bid, the thinking of the Board of Directors will be disclosed to shareholders promptly, because it may change shareholder composition or affect shareholder interests. In such cases, we shall respect the rights of shareholders and shall not prevent shareholders from responding to the takeover bid. (Supplementary Principle 1-5[1])

(6) Related Party Transactions (Principle 1-7)

We have established the Regulations Governing the Management of Related-Party Transactions as a mechanism to properly check transactions between related parties. We conduct transactions after examining the necessity of transactions and the appropriateness of the terms and conditions of transactions.

- Each year, we regularly request each Director to submit a confirmation document on transactions between related parties, and investigate whether or not we have a majority of voting rights held by its Directors and their relatives, or by which they are represented.
- New transactions with related parties shall be approved by the Board of Directors in accordance with the Regulations Governing the Management of Related Party Transactions.
- In accordance with the Regulations Governing the Management of Related -Party Transactions, related-party transactions in which transactions continue at the end of each fiscal year are reviewed and approved by the first Board of Directors meeting held after the commencement of the new fiscal year to determine the reasonableness of the continuation of transactions (business necessity) and the appropriateness of the terms and conditions of transactions.
- Competitive transactions and conflict of interest transactions of Directors are implemented with the approval of the Board of Directors in accordance with laws and regulations and the Regulations of the Board of Directors, and the results of these transactions are reported to the Board of Directors on a regular basis each year.

## **2. Appropriate Discussions with Stakeholders Other Than Shareholders (General Principle 2)**

We recognize that we should strive for appropriate collaboration with various stakeholders including employees, customers, business partners, creditors and local society in the sustainable growth of us and the creation of medium to long-term corporate value. The Board of Directors and management group shall strive to foster a corporate culture that respects the rights and positions of these stakeholders and the ethics of business activities.

### **(1) Management Philosophy (Principle 2-1)**

In order to realize sustainable growth and medium to long-term improvements in corporate value, we have established the corporate philosophy of “Contributing to the health of humankind through the development of revolutionary biotechnologies such as gene therapy,” and conducts business activities based on this philosophy.

### **(2) Compliance Code of Conduct (Principle 2-2)**

As a member of the Takara Holdings Group, we observe and puts into practice the “TaKaRa Group Compliance Code of Conduct” with respect to appropriate cooperation with various stakeholders, respect for their interests, and sound business activity ethics, etc.

- We shall establish a Compliance Committee with the President & CEO as chair and comprised also of persons appointed by the chair from among Directors and Executive Officers to conduct regular reviews of the state of implementation of the Compliance Code of Conduct. (Principle 2-2[1])

### **(3) Sustainability (Principle 2-3)**

We have established the Basic Policy for Promoting Sustainability Management, and through our business activities we are tackling various social issues related to sustainability, including health, with the aim of achieving both "the realization of a sustainable society" and "the sustainable growth of the Takara Bio Group." In our efforts, we established the Sustainability Promotion Committee, chaired by the President and CEO, and then we will identify materiality and promote sustainability management so that we can contribute to solving social issues through collaboration with stakeholders and collaboration with the Takara Group.

- We widely support research and business activities leveraging biotechnology in providing reagents, instruments and contracted services. Further, we have positioned the acceleration of alliances with pharma companies and the creation of new clinical development projects as our future dramatic growth

strategies, and are advancing the clinical development and commercialization of gene therapy for cancer, etc. Through these efforts, we will create new value and contribute to society by continuing to achieve sustainable growth.

- As one of our management priorities, we will comply with environmental laws and regulations, actively participate in nature conservation activities, and strive to conserve resources and energy. We will strive to reduce the environmental impact generated in all processes, from product research and development and raw material procurement to production, logistics, sales, and consumption.
- Takara Bio headquarters and major facilities for manufacturing and research use structural designs incorporating new construction methods with high environmental performance. In particular, research and manufacturing facilities are implementing initiatives such as the prevention of biohazard risks, and are actively and proactively working on issues related to sustainability, including social and environmental issues. (Supplementary Principle 2-3[1])

#### (4) Ensuring Diversity (Principle 2-4)

We recognize that the existence of diverse perspectives and values that reflect different experiences, skills and attributes within we can be a strength in securing the sustainable growth of us. Based on this recognition, we are promoting diversity, including the promotion of women's active participation within the company. As support for the creation of a work environment in which female employees can continue to play active roles and the realization of work-life balance, with regard to support for the balancing of childcare and work in particular, we shall promote the positive use of systems such as the control of overtime work hours, application of nursing time, childcare leave, reduced work hours for childcare, infant nursing leave, maternity leave, infant health check leave, and flex-time work, etc. Furthermore, for male employees, we have secured a system allowing them to take accumulated paid leave before and after childbirth by their spouses and allowing fathers to take childcare leave too.

- Based on the concept of promoting the active participation of diverse human resources as stated in the Takara Bio Group “Basic Policies for Promoting Sustainability Management”, we are promoting the active participation of diverse human resources, including the promotion of women's active participation. The status of such activities is disclosed on our website and other media. In addition, as we expand and grow our business overseas, we have appointed foreign officers and executives at overseas Group companies. As a result of the promotion to date, new hires and appointments of women and mid-career recruits to managerial positions, as well as the appointment of foreign employees to executives and executives at overseas Group companies, we will continue to work to ensure the diversity of internal human resources.
- To further enhance our corporate value, we have developed a human resource development program aimed at improving the skills of each and every employee. We are also working to create a system that enables all employees to work with enthusiasm while balancing work and personal life in accordance with their individual lifestyles. The status of implementation is disclosed on our website. (Supplementary Principles 2-4[1])

#### (5) Whistleblowing (Principle 2-5)

In order to prevent legal violations and fraud, we have established an internal whistle-blowing contact to which employees, etc., can report illegal or inappropriate acts, etc., without concern that they may suffer disadvantage, and has established appropriate systems related to whistle-blowing. The state of operations shall be reported regularly at the Compliance Committee.

- In addition to the internal whistle-blowing contact within the Takara Holdings Group, we have established an internal whistle-blowing contact at an external third party organization independent from

the management group. In addition, internal regulations on whistle-blowing state clearly the confidentiality of the whistle-blower and the prohibition of disadvantageous treatment. (Supplementary Principle 2-5[1])

(6) Corporate Pensions (Principle 2-6)

We operate a defined benefit corporate pension plan based on our code. In the investment of the defined benefit corporate pension plan, we have established a policy asset composition ratio from a medium-to long-term perspective based on the basic policy and investment guidelines, and presents this ratio to investment managers. The investment status is monitored regularly and reviewed as necessary. In addition, employees engaged in corporate pension affairs shall be assigned with due consideration given to their knowledge and experience. The exercise of voting rights in shares held as part of the plan assets is subject to the judgment criteria of the trustee, and there are no conflicts of interest.

**3. Ensuring Appropriate Information Disclosure and Transparency (General Principle 3)**

We shall disclose financial information such as the financial condition and management results, etc., of us and non-financial information such as information on management strategies, management issues, risks and governance, etc., appropriately based on the law. In addition, we shall provide information other than that disclosed based on the law proactively as required and by appropriate methods, and shall strive to ensure that the information disclosed or provided is easy for users to understand and highly usable as information, based on the fact that it will form the foundation for constructive dialogue with shareholders.

(1) Enhancement of Information Disclosure (Principle 3-1)

From the perspective of ensuring transparency and fairness in our decision-making and realizing effective corporate governance, we will disclose and disseminate information as follows.

- (i) Business strategies are disclosed in the Annual Securities Report and the Medium-Term Management Plan.
- (ii) We disclose our basic corporate governance policies on our website, annual reports, and securities reports.
- (iii) We disclose our policy on remuneration for Directors and Auditors in our annual securities report.
- (iv) Our policies and procedures regarding the nomination of candidates for Directors and Auditors and the appointment and dismissal of Executive Officers are described below.

[1]Policies and procedures for board nominations

We pay attention to ensuring diversity from the perspectives of gender, internationality, career and age. In light of the following standards, the Nominations and Compensation Committee deliberates and examines the issue, and the Board of Directors resolves the issue based on the advice and recommendations of the Committee.

- Having the ability to recognize and resolve management issues from the perspective of superior personality and insight and overall management.
- Internal Directors shall have sufficient knowledge, experience, and track record in specialized fields and have a high level of organizational management capability.
- External Directors shall have extensive experience in their respective fields of origin, and shall have the qualities to give advice and recommendations from an independent standpoint to ensure the appropriateness of decision-making by the Board of Directors.

[2] Policies and procedures for the Board of Directors to appoint candidates for Auditors

We pay attention to ensuring diversity from the perspectives of gender, internationality, career and age. In light of the following standards, the President & CEO proposes to the Board of Directors

with the consent of the Supervisory Board Meeting after consultation with other Directors and resolves the proposal.

- Having the ability to recognize management issues and make recommendations to management from the perspective of superior personality and insight and overall management.
- Internal Auditors shall have sufficient knowledge, experience, and track record in specialized fields.
- External Auditors shall have extensive experiences in their respective fields of origin and abilities to give advice and recommendation from an independent standpoint to ensure the appropriateness of decision-making at the Board of Directors.

[3] Policies and procedures for the appointment and dismissal of Executive Officers by the Board of Directors

(Appointment Policy and Procedures)

We pay attention to ensuring diversity from the perspectives of gender, internationality, career and age. In light of the following standards, the President & CEO makes proposals to the Board of Directors after consultation with other Directors and resolves the proposals.

- Having the ability to recognize and resolve management issues from the perspective of superior personality and insight and overall management.
- Having sufficient knowledge, experience, and track record in assigned tasks and having a high level of organizational management capability.

(Policies and Procedures for Dismissal)

In light of the following standards, the President & CEO submits a proposal to the Board of Directors through consultation with other Directors and makes a resolution.

- Any violation of laws, regulations, the Articles of Incorporation, or any other internal regulations may cause us to suffer a significant loss or significantly hinder our business.
- It is found that there was a considerable hindrance to the execution of its duties.
- There is a relationship with an anti-social force that should be criticized socially.
- It is found obviously that each of the requirements of the above-mentioned standards of appointment is not met.

(v) The reasons for nominating each candidate for Director or Auditors shall be disclosed in the notice of convocation of a general meeting of shareholders.

- At the time of information disclosure, including disclosure based on the law, we shall strive to disclose information promptly and accurately and with content that is easy to understand, and to use plain and specific descriptions that are of high added value to users. (Supplementary Principle 3-1[1])
- We have established an English version of its website based on our shareholding ratios of overseas investors, etc., and shall disclose annual reports, medium-term management plans and news releases in English, promote the provision of information to overseas investors, etc., and disclose other information in English as required. (Supplementary Principle 3-1[2])
- Our efforts for sustainability, such as human resource development and environmental measures, are disclosed in the Takara Bio Group “Basic Policy for Promoting Sustainability Management”.  
In addition, in order to achieve sustainable growth and increase corporate value over the medium to long term, we regard the development of human resources capable of supporting global business growth and the next generation of the Group, and the further improvement of our technological

capabilities and quality as extremely important management issues. Accordingly, we will allocate and invest appropriate management resources to develop human resources and improve the technological capabilities and quality.

In accordance with the Task Force on Climate-related Financial Disclosure (TCFD), the Group reviews and responds to the impact of climate change-related risks and opportunities on our business activities and profits, and discloses related information on our website, etc. (Supplementary Principle 3-1[3])

(2) External Accounting Auditors (Principle 3-2)

Directors, Auditors, Internal Audit department, Finance department, and the External Accounting Auditors shall collaborate with each other, recognize that the External Accounting Auditors are responsible to shareholders and investors, and take action to ensure proper audits.

- Handling by the Supervisory Board Meeting (Supplementary Principle 3-2[1])
  - (i) The supervisory board meeting has formulated “Accounting Auditor evaluation criteria” based upon which the appropriateness and validity of audit activities are evaluated through the state of implementation of audits by the External Accounting Auditors and audit reports, etc.
  - (ii) The supervisory board meeting shall also confirm whether or not the external Accounting Auditors have the independence, expertise and quality control systems required of them through exchanges of opinions with the External Accounting Auditors and the state of implementation of audits, etc.
- Handling by the Board of Directors and the Supervisory Board Meeting (Supplementary Principle 3-2[2])
  - (i) An audit schedule shall be established following prior discussions with the External Accounting Auditor to secure sufficient audit time.
  - (ii) Based on recognition that interviews between the External Accounting Auditor and senior management are most important, time shall be secured for interviews.
  - (iii) The supervisory board meeting shall exchange “Written Confirmation on Collaboration between Auditors and the Accounting Auditors” and secure cooperation between the External Accounting Auditors and Auditors through audits and quarterly review reports, etc.
  - (iv) If an external Accounting Auditor discovers fraud and asks for appropriate action, or points out any deficiencies or problems, each Director in charge shall take the initiative in conducting investigations, making corrections and reporting the results to the Board of Directors based on the instructions of the President & CEO. The Supervisory Board Members shall be mainly composed of full-time Auditors and shall cooperate with Internal Audit Department and related departments to conduct investigations and make any corrections required.

#### **4. Responsibilities of the Board of Directors (General Principle 4)**

We shall establish the direction of corporate strategy, etc., at meetings of the Board of Directors and Executive Officers and other important meetings. In addition, we have established the Regulations on the Board of Directors, the Regulations on the Organization, the Regulations on the Division of Duties, and the Regulations on Administrative Authority, etc., and by clarifying the duties and responsibilities of Directors and each department, has established an environment that supports appropriate risk taking by senior management. Moreover, we have established a highly effective system of supervision over Directors by assigning External Directors.

(1) Roles and Responsibilities of Directors and the Board of Directors (Principle 4-1, 4-2, 4-3)

[1] Based on fiduciary responsibility and accountability to shareholders, the Board of Directors shall

engage in constructive discussions on the basic policies of us, including its management strategies and management plans, etc., with the participation of External Directors and the free exchange of opinions, in order to promote the sustainable growth of us and improvement of medium to long-term corporate value, and improve profitability and capital efficiency, etc.

(Principle 4-1)

- In the Regulations Governing Meetings of the Board of Directors, we primarily set the followings as matters to be resolved at meetings of the Board of Directors, and delegate such matters that do not fall under the following to the management (Directors and Executive Officers). (Supplementary Principle 4-1[1])
  - (i) Matters concerning the general meeting of shareholders
  - (ii) Personnel affairs of Directors, Executive Officers, and important employees
  - (iii) Matters concerning the Accounting of the Company
  - (iv) Matters concerning the disposition and acceptance of important assets that fall under the specific criteria for amounts
  - (v) Other matters stipulated by laws and regulations or the Articles of Incorporation and important business matters, as well as the determination or occurrence of material facts that may affect our group's operations, operations, financial position, and results of operations
- We have formulated a six-year Long-Term Management Plan 2026, which will be in its final fiscal year in 2026 and a three-year Medium-Term Management Plan 2023, which will be in its final fiscal year in 2023, and shall make the utmost efforts towards its realization. When explaining to investors and shareholders at a financial results briefing or general meeting of shareholders, etc., we shall do so after conducting sufficient analysis regardless of the results and with reference to the Medium-Term Management Plan at all times, and reflect the results of analysis in the drawing up of the next plan. (Supplementary Principle 4-1[2])
- Establishment of a process (succession plan) for the development of the next generation of management executives, who will be the successor, such as the Chief Executive Officer (CEO), is recognized as an important management issue for achieving sustainable growth and increasing corporate value over the medium to long term. Executive Officers who are not concurrently serving as Directors also attend meetings of the Board of Directors as management team, and participate as observers in our goals and specific management strategies. The Board of Directors will consider the requirements and policies required of the CEO and others, referring to the advice and recommendations of the Nomination and Compensation Committee in light of the business environment surrounding us and our corporate culture. (Supplementary Principle 4-1[3])
- The appointment and dismissal of the CEO shall be deliberated and examined by the Nomination and Compensation Committee and resolved at the Board of Directors based on the advice and recommendations of the Committee. (Supplementary Principle 4-3[2], 4-3[3])

[2] The Board of Directors has determined the important matters in management after deliberating and examining them fully from multiple perspectives and from an objective standpoint. When approved matters important for management are implemented, we shall support the prompt and decisive decision-making of senior management. In addition, the remuneration of Directors is divided clearly into fixed compensation based on a resolution of a general meeting of shareholders and a performance-linked portion for Directors other than External Directors. Based on the performance evaluation method approved by the Board of Directors, the amounts of remuneration for Executive Directors and Executive Officers consist of a part in accordance with their position, a part in accordance with our

results for the single fiscal year and a part in accordance with divisional results for a single fiscal year. The remuneration for Directors shall be determined by the President & CEO upon delegation by a resolution of the Board of Directors after consultation with other Directors and deliberation by the Nomination and Compensation Committee within the limit of the total amount of remuneration based on a resolution of the General Meeting of Shareholders. (Principle 4-2)

- We have introduced a cash-based compensation system that is linked to medium- to long-term performance, but do not have a stock-based compensation system in place. Going forward, we recognize that Director incentives for sustainable growth are an important management issue, and the Board of Directors will consider the ratio of remuneration between cash and stock, including the method of determining overall remuneration, with reference to advice and recommendations provided by the Nomination and Compensation Committee. (Supplementary Principle 4-2[1])
- We monitor our businesses using management indicators that are conscious of capital profitability and efficiency, and use the results to allocate management resources and business portfolio strategies in order to achieve sustainable growth. (Supplementary Principle 4-2[2])

[3] At the Company, the President & CEO shall conduct evaluations through discussions with other Directors taking into comprehensive account objective indicators on our results, etc., and the level of contribution of individual senior management members, and other qualitative factors, etc., and subsequently make proposals on the personnel affairs of senior management members based on those results to the Board of Directors for its resolution.

In order to disclose information in a timely and appropriate manner, we shall establish a person responsible for information handling to share information on the Board of Directors. In addition, we shall manage conflicts of interest that occur with related parties such as management group members and controlling shareholders, etc., in accordance with the Regulations on the Control of Transactions with Related Parties. (Principle 4-3) (Supplementary Principle 4-3[1])

- We have established a Compliance Committee and Internal Control Committee, built systems to prevent the occurrence of risks and manage risks, and shall implement appropriate risk control. The Compliance Committee and the Internal Control Committee shall report the details of their activities to the Board of Directors, and the Board of Directors shall focus on supervision of whether those systems has established appropriately and its operations are being carried out effectively. The Internal Audit Department reports to the Board of Directors twice a year the results of audits, including the status of internal controls and the establishment of a company-wide risk management system. (Supplementary Principle 4-3[4])

(2) Roles and Responsibilities of Auditors and the Supervisory Board Meeting (Principle 4-4)

The Auditors and the Supervisory Board Meeting make appropriate judgments from an independent and objective standpoint regarding the fulfillment of their roles and responsibilities, such as auditing the execution of the duties of the Directors, appointing and dismissing the Auditors and External Accounting Auditors, and exercising authority concerning audit remuneration. In addition, the Auditors not only conduct business audits and Accounting audits appropriately through attending meetings of the Board of Directors and various important management meetings, and by exchanging opinions with the management and the Internal Audit Department, etc., but also provide opinions appropriately to the management when deemed necessary. (Principle 4-4)

- Three of the five Auditors of us shall be External Auditors. Based on the audit policy and audit implementation plan formulated by the Supervisory Board Meeting, the Auditors have adopted a system of attending meeting of the Board of Directors and other important meetings, receiving reports

on the state of execution of duties from Directors, etc., viewing important documents, etc., and auditing the execution of the duties of Directors through surveys of the state of duties and property. The Auditors shall collaborate with the External Accounting Auditors and Internal Audit Department, and collaborate with External Directors as required. (Supplementary Principle 4-4[1])

(3) Fiduciary Responsibility of Directors and Auditors, etc. (Principle 4-5)

We shall provide stakeholders with the information they require in a timely and appropriate manner to fulfill their fiduciary responsibilities to shareholders and to enhance the common interests of us and shareholders. In addition, the Board of Directors shall deliberate over the disclosure of important information and act based on objective opinions, including those of External Officers.

(4) Independent External Directors (Principle 4-6, 4-7, 4-8, 4-9)

[1] We shall assign three independent External Directors and aim for their effective use, such as adopting systems, etc., that enhance the work execution supervision function of our Board of Directors by receiving advice and recommendations for the sustainable growth of us and the improvement of medium to long-term corporate value, etc., from the External Directors and non-Executive Directors from an independent position and based on experience and knowledge clearly delineated from the senior management of us. (Principle 4-6)

[2] Our Independent External Directors shall monitor and supervise from an independent standpoint through management policies, management improvements, conflict of interest transactions that occur with related parties such as management group members and controlling shareholders, etc., the assignment and dismissal of senior management, and other important decision-making of the Board of Directors based on their abundant experience and knowledge. (Principle 4-7)

[3] We currently appoint three independent outside Directors, one-third of the nine total Directors. Independent External Directors exchange neutral opinions with each Director, Auditors, management team, etc. from an independent and objective perspective, and fully fulfill our duties as an Independent External Director. (Principle 4-8)

- The independent External Directors shall work on the sustainable growth of us and the improvement of corporate value, including seeking explanations and improvements from the President & CEO, etc., as required. We strive to establish an environment within which independent External Directors can grasp the state of execution of duties more accurately, such as increasing opportunities for dialogue with Directors and the management group, etc. (Supplementary Principle 4-8[1])
- In principle, the basic policy of us shall be to assign independent External Directors to at least one-third of Director positions, giving overall consideration to business characteristics and the environment surrounding us, etc. At present, we have a system with three independent External Directors, and has established systems for them to communicate and coordinate with the management group and to cooperate with the Auditors or the Supervisory Board Meeting to exchange information and share awareness. (Supplementary Principle 4-8[2])
- To protect the interests of minority shareholders, we have established a special committee under the Board of Directors to provide appropriate advice and recommendations. The committee is composed of three or more independent members, including Outside Directors and Auditors, and the chairperson is to be selected from among its members, ensuring the independence of the committee. The Committee deliberates and examines matters related to significant transactions and acts that conflict with the interests of our parent company or its subsidiaries and our minority shareholders, and advises and makes recommendations to the Board of Directors. (Supplementary

Principle 4-8[3])

[4] As shown in Appendix 1, we have established “Judgment Criteria for the Assignment and Independence of External Officers”. In accordance with these criteria, the Board of Directors deliberates and examines the matters and selects candidates for independent External Directors. (Principle 4-9)

(5) Use of Optional Approach (Principle 4-10)

We have adopted the form of a company with an Audit and Supervisory Board, but in order to realize effective corporate governance for shareholders and other stakeholders, we have also established optional committee such as a Compliance Committee and Internal Control Committee, the Sustainability Promotion Committee, the Nominating and Compensation Committee, and the Special Committee to further enhance control functions.

- In order to ensure the independence and objectivity of the functions of the Board of Directors with respect to nomination of Director candidates and compensation of Directors, we have established a Nomination and Compensation Committee under the Board of Directors, which consists primarily of independent External Officers, to obtain appropriate advice and recommendations. The committee is composed of three or more members, the majority of whom are External Directors, and the chairperson of the committee is to be selected from among External Directors. Therefore, the committee's independence is ensured. The committee deliberates and examines the nomination of Director candidates and the individual remuneration of Directors prior to the resolution of the Board of Directors, and advises and suggests the results thereof to the Board of Directors. (Supplementary Principle 4-10[1])

(6) Ensuring the Effectiveness of the Board of Directors and Supervisory Board Meeting (Principle 4-11, 4-12)

[1] The Board of Directors is composed of individuals with specialized knowledge and extensive experience in areas such as management, finance, human resources, marketing, development, manufacturing, and quality assurance in a manner that balances diversity and appropriate size, including in terms of gender, internationality, career, age, etc., and effectively fulfills the roles and responsibilities of the Board of Directors. In addition, we have appointed persons with knowledge of finance, accounting, and legal affairs to serve as the Auditors. Two of the five Auditors possess sufficient knowledge of finance, accounting, and legal affairs. (Principle 4-11)

- The Board of Directors is composed of Directors with advanced expertise and experience in each business, and independent External Directors who possess a wealth of experience and broad insight and provide advice and recommendations from the perspective of all stakeholders, including shareholders, based on their extremely high level of expertise. We believe that at the present time, Directors are an appropriate combination of skills in the execution of management strategies, and that this is the optimal structure.
- We believe that the roles and responsibilities of the Board of Directors to achieve sustainable growth and increase corporate value over the medium to long term are extremely important. In order to continuously improve its effectiveness, it is important to continuously examine the composition of the Board of Directors. We will continue to review the composition of the Board of Directors in response to management strategies and changes in the environment. The skill matrix is disclosed in the Notice of Convocation of the General Meeting of Shareholders, etc. (Principle 4-11[1])
- When External Directors, External Auditors and other Officers serve concurrently as officers of other listed companies other than our group, we disclose brief history annually in our securities report. (Supplementary Principle 4-11[2])

- We evaluate the effectiveness of the Board of Directors with a focus on its operational aspects. An overview of this is available on our website. (Supplementary Principle 4-11[3])
- [2] We shall actively exchange opinions on matters to be resolved by and matters to be reported to the Board of Directors upon receiving questions from attendees at the Board of Directors as required. (Principle 4-12)
- Meeting of the Board of Directors shall be held at least once a month. We shall notify all Officers including Executive Officers of the annual schedule of meetings prior to the start of the business year, and meetings shall be conducted basically on a schedule that all Directors, Auditors, and Executive Officers can attend. Materials for the Board of Directors shall be distributed to all attendees by the day before the date of a meeting at the latest so that deliberations on the day will be carried out in full. (Supplementary Principle 4-12[1])
- (7) Information Gathering, Support Systems and Training for Directors and Auditors (Principle 4-13, 4-14)
- [1] Directors and Auditors shall request related departments to provide information, etc., such as information required for the performance of their duties, etc., and departments requested to provide such information shall provide the information based on those requests, etc., as appropriate. Directors shall be supported by General Affairs Department, which is the secretariat for the Board of Directors. We shall also provide support for Auditors by appointing Auditor-assisting personnel (additional post) in General Affairs Department. (Principle 4-13)
- If there is a lack of information to make an appropriate decision, Directors, including External Directors, shall ask General Affairs Department and related divisions to provide information. Auditors, including External Auditors, shall collect the information required for each Auditor to conduct audits as appropriate, and if there is a lack of information, the full-time Auditors shall take the lead in asking Directors and related divisions to provide explanations and information. (Supplementary Principle 4-13[1])
  - Directors and Auditors shall consider using external experts such as lawyers and consultants when it is recognized to be necessary for the execution of their duties. Under the system adopted by us, expenses incurred in association with using external experts may be charged to us based on internal regulations. (Supplementary Principle 4-13[2])
  - Internal Audit Department shall implement work audits for each department, each safety committee, and all subsidiaries in cooperation with the full-time Auditors. Reports shall be made to Directors and Auditors on the state of execution of duties and problems, etc., grasped by such audits after reporting to the President & CEO. Under the system adopted by us, instructions for the improvement of reported problems, etc., shall be given to the department in charge, where appropriate improvements shall be made. In addition, the system for the basic information of our Group, such as internal regulations, information on committees, and information related to subsidiaries, etc., is to share that information on the internal network after setting access authority for related parties as required, and to update that information regularly. In addition, the Internal Audit Department reports directly to the Board of Directors twice a year and to the Supervisory Board Meeting on a regular basis to ensure cooperation between the Internal Audit Department and Directors and Auditors. The General Affairs Department serves as a contact point for External Directors and External Auditors to communicate and coordinate within us as necessary to provide information. (Supplementary Principle 4-13[3]).
- [2] We shall provide Directors, Auditors, and Executive Officers with opportunities to participate in the Compliance Top Seminar run by external instructors and sponsored by Takara Holdings regularly each

year, and they shall make efforts to improve the knowledge and abilities required for compliance. In addition, we recommend positive participation in training, affiliated organizations, academic conferences and seminars, etc., and shall support the provision of opportunities and expenses for training suitable for individual Directors, Auditors and Executive Officers based on internal regulations. (Principle 4-14)

- Prior to their appointment, we shall provide External Directors and External Auditors with knowledge on the corporate philosophy, company profile, the state of management, organization and history, etc., and shall also provide opportunities to visit bases and facilities, etc. Moreover, we shall provide Directors and Auditors, including External Directors and External Auditors, and Executive Officers with opportunities to understand the roles and responsibilities demanded of each by explaining matters related to corporate governance and the various regulations related to officers, etc. After their appointment too, we shall continuously provide Directors and Auditors, including External Directors and External Auditors, and Executive Officers with opportunities required to fulfill their respective roles and responsibilities. (Supplementary Principle 4-14[1])
- As a training policy for Directors and Auditors, including External Directors and External Auditors, and Executive Officers, we will encourage and support participants in academic conferences and seminars in accordance with their respective experiences and knowledge, provide the necessary information to fulfill their respective roles and responsibilities, and provide support for the acquisition of knowledge, as well as support for the expenses required for these activities on an ongoing basis. (Supplementary Principle 4-14[2])

## **5. Dialogue with Shareholders (Basic Principle 5)**

We recognize that in order to realize sustainable growth and medium to long-term improvement in corporate value, constructive dialogue with shareholders and investors outside of general meetings of shareholders is also important in accordance with the Disclosure Policy of Appendix 2. Consequently, we shall strive to create opportunities for people to gain understanding of our management strategies and management plans, such as establishing an IR system centered on a Director in charge of IR who also serves as the manager responsible for information handling and providing for dialogue with shareholders and investors, etc. In addition, we recognize that positive dialogue with overseas investors will also be important in the future, with reference to the ratio of overseas shareholders within our shareholder composition.

### **(1) Constructive Dialogue with Shareholders (Principle 5-1)**

We appoint a person in charge of information management and appoint the Public & Investor Relations Department as the department in charge of IR. For analysts and investors, we hold a financial results briefing once every six months and hold a series of individual investor briefings sequentially in an effort to improve the understanding of us

- Actual dialogue with shareholders (interviews) is handled by IR personnel, with Public & Investor Relations Department, the department in charge of IR, serving as the contact point. In addition, the President & CEO and the Director in charge of IR, and other Officers shall respond to requests for interviews from shareholders to the extent reasonable, taking into consideration the attributes of shareholders, the status of our shareholdings, and the purpose of wishing to have an interview. (Supplementary Principle 5-1[1])
  - (i) At the Company, the Director in charge of IR shall oversee departments related to IR activities including Public & Investor Relations Department, Finance Department, and General Affairs Department, etc., and make efforts to strengthen everyday cooperation among departments and

maintain close information sharing.

- (ii) Public & Investor Relations Department shall accept telephone interviews and IR information gathering from investors, hold financial results briefings once every six months for analysts and investors, and the President & CEO and Director in charge of IR shall give explanations directly.
- (iii) Information on IR activities and feedback, etc., shall be reported to senior management and the Board of Directors as required to share information with Directors and Auditors.
- (iv) In dialogue with investors, etc., matters that contribute to the sustainable growth of us and the improvement of medium to long-term corporate value shall be the themes of discussion so attention shall be paid to the management of insider information regardless of whether the meeting is a financial results briefings or an individual investor briefing, etc. (Supplementary Principle 5-1[2])

- We shall grasp shareholder composition on the register of shareholders as of March 31 and September 30 each year and make efforts to survey the shareholders who actually hold our shares as far as possible. The information obtained shall be used in everyday IR activities. (Supplementary Principle 5-1[3])

(2) Formulation and Announcement of Management Strategies and Management Plans (Principle 5-2)

We shall formulate medium-term management plans, disclose its results targets and measures for each business, etc., on our website, and explain the specific measures towards the achievement of targets, including basic policies for our business portfolio as necessary, through financial results briefings and general meeting of shareholders, etc. (Principle 5-2, Supplementary Principle 5-2[1])

End

## **Appendix 1 < Judgment Criteria for the Assignment and Independence of External Officers >**

The assignment and independence of External Directors and External Auditors (hereinafter referred to collectively as “External Officers”) at the Company shall be judged based on the following criteria.

### **1. Judgment Criteria for the Assignment of External Directors**

The External Directors of the Company shall be assigned from among those who satisfy the following conditions, paying attention to ensuring diversity in terms of gender, internationality, career, age, etc.

- (1) Having the ability to recognize and resolve management issues from the perspective of superior personality and insight and overall management.
- (2) Having extensive experience in their respective fields of origin, and shall have the qualities to give advice and recommendations from an independent standpoint to ensure the appropriateness of decision-making by the Board of Directors.
- (3) External Directors must not fall under the grounds for disqualification as a Director stipulated in the items of Article 331(1) of the Companies Act.
- (4) External Directors must meet the requirements for External Directors stipulated in Article 2(xv) of the Companies Act.

### **2. Judgment Criteria for the Assignment of External Auditors**

The External Auditors of the Company shall be assigned from among those who satisfy the following conditions, paying attention to ensuring diversity in terms of gender, internationality, career, age, etc.

- (1) External Auditors must have superior personality and insight, and the ability to be able to recognize management issues and make recommendations to the management group from the standpoint of management overall. Having the ability to recognize management issues and make recommendations to management team from the perspective of superior personality and insight and overall management.
- (2) External Auditors must have abundant experience in their field of origin and the qualifications to be able to provide advice and recommendations from an independent standpoint to ensure the adequacy and appropriateness of the decision-making of the Board of Directors. Having extensive experience in their respective fields of origin, and shall have the qualities to give advice and recommendations from an independent standpoint to ensure the appropriateness of decision-making by the Board of Directors.
- (3) External Auditors must not fall under the grounds for disqualification as Auditors stipulated in the items of Article 331(1) of the Companies Act as applied mutatis mutandis under Article 335 of the Companies Act.
- (4) External Auditors must meet the requirements for External Auditors stipulated in Article 2(xvi) of the Companies Act.

### **3. Judgment Criteria for the Independence of External Officers**

Any External Officer of the Company to whom none of the following criteria apply shall be judged to be independent.

- (1) Currently a Director, Auditor or Manager or other employee of our parent company.
- (2) Any person who was in the past a Director, Auditor or Manager or other employee of our parent company.
- (3) Currently a Director, Auditor or Manager or other employee of our sister company.
- (4) Any person who was in the past a Director, Auditor or Manager or other employee of our sister company.
- (5) A person who is our customers or any of our subsidiaries as its principal customers (a person who has received from us or any of our subsidiaries payment of 2% or more of their annual consolidated total sales in the most recent fiscal year), or an executive Director, Executive Officer, Operating Officer,

Manager or any other employee of the parent company or any significant subsidiary company thereof, or in the case where any of them is a company.

- (6) Any person who, in any of the three fiscal years preceding the most recent fiscal year, had us or any of our subsidiaries as its principal customers (any person who had received from us or any of our subsidiaries payment of 2% or more of the annual consolidated total sales for the most recent fiscal year of such person), or any of its parent companies or significant subsidiaries, or in the case where any of them is a company, the executive Directors, Executive Officers, Operating Officers, Managers or other employees of such company.
- (7) A person who is a major business partner of us (a person who makes payment to us of not less than 2% of our annual consolidated total sales in the most recent fiscal year), or an executive Director, Executive Officer, Operating Officer, Manager or other employee of the parent company or a significant subsidiary of us, or in the case where such a person is a company.
- (8) Any person who was our principal business partner in any of the three fiscal years preceding the most recent fiscal year (any person who has paid us 2% or more of our annual consolidated total sales in the most recent fiscal year of our target business year) or any of its parent companies or significant subsidiaries, or in the case where any of them is a company, an executive Director, Executive Officer, Operating Officer or Manager or any other employee of such company.
- (9) Directors (limited to those who execute the business) of organizations that have received an average of over 10 million yen over the past three years from us or our subsidiaries (for example, public interest incorporated associations, non-profit corporations, etc.), other executives (meaning officers, partners, or employees who execute the business of such organizations).
- (10) A person who is or was a Director, Auditor, Accounting Advisor, Executive Officer or Executive Officer of the Company or its parent company or subsidiary that accepts Directors (whether full-time or part-time) from us or its subsidiaries.
- (11) Directors, Auditors, Accounting Advisors, Executive Officers, Operating Officers, Managers, and other employees of financial institutions and other large creditors (hereinafter referred to as "Large Creditors") that are indispensable for our financing and rely on a degree that is not substitutable (hereinafter referred to as "Large Creditors") or of their parent companies or significant subsidiaries.
- (12) Any person who has been a Director, Auditor, Accounting Advisors, Executive Officer, Operating Officer, Manager or other employee of our present large creditors or their parent company or significant subsidiaries in the last three years.
- (13) Any person who is presently an Accounting Auditor or Accounting Advisor of us or its subsidiaries, a certified public accountant (or tax accountant), or a partner, partner or employee of an auditing firm (or tax accountant corporation).
- (14) Any member, partner or employee of a certified public accountant (or certified tax accountant) or an auditing firm (or tax accountant corporation) who was an Accounting Auditor or Accounting Advisor of us or any of our subsidiaries in the last three years and who was in actual charge (but excluding any ancillary involvement) of the auditing services of us or any of our subsidiaries (including any person who is currently retired or resigned).
- (15) Any attorney, certified public accountant or tax accountant or other consultant not falling under (13) or (14) above who has, in addition to Directors' fees, obtained from us or any of our subsidiaries any monetary or other proprietary benefits averaging 10 million yen or more over the past three years.
- (16) Any employee, partner, associate or employee of any law firm, auditing firm, tax accountant firm or consulting firm or other professional advisory firm not falling under (13) or (14) above whose main

customer is the Company or any of its subsidiaries (the firm received from us or any of its subsidiaries on average over the last three fiscal years a payment of not less than 2% of the consolidated gross sales of such firm).

- (17) A person whose spouse or relatives within the second degree of kinship fall under any of (1) to (16) above.
- (18) A person who is likely to have a substantial conflict of interest with all of our general shareholders on a permanent basis due to circumstances other than those considered in (1) to (17) above.

## **Appendix 2 < Takara Bio Disclosure Policy >**

### **1. Basic Policy**

In order to achieve continuous growth and an increase in corporate value over the medium to long-term, we shall appropriately make information disclosure in compliance with laws and regulations, provide information beyond the laws and regulations as necessary in an appropriate manner, and offer explanation to and dialogue with its shareholders directly or indirectly. This information includes both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and issues, business activities risk and corporate governance of us.

We have established systems to ensure that all market participants have equal access to information that has a significant effect on investment decisions by disclosing such information in accordance with rules for timely disclosure in addition to publishing information on the corporate website and announcing it in the news media as necessary.

We will strive to further raise its reliability and to obtain a proper assessment of corporate value in capital markets through the timely, appropriate, and impartial disclosure of information to all stakeholders, particularly shareholders and investors.

### **2. Significant Information and Methods of Disclosure**

We provide for the handling of significant information relating to the Takara Group and the methods of disclosure in Rules for Management of Significant Information, and operates the rules appropriately.

#### **(1) Information requiring Timely Disclosure**

We carry out disclosure procedures in accordance with the rules for timely disclosure stipulated by the stock exchange for the important information relating to our business, operations or performance, etc. that has a significant effect on securities investment decisions and is required to be disclosed under rules for timely disclosure stipulated by the stock exchange (information on decisions relating to a listed company and its subsidiaries, information on facts which occurred for a listed company and its subsidiaries, and listed company and its subsidiaries earnings information). In addition, we publish such information on the corporate website and announces it in the news media as necessary.

#### **(2) Significant Information subject to Fair Disclosure Rules**

We are committed to appropriate information management for significant non-public information relating to our operations, performance, and assets that has a significant effect on the investment decisions of investors. However, should such information be communicated to some transacting parties, we will disclose it in accordance with Fair Disclosure Rules (Article 27-36, Financial Instruments and Exchange Act and Cabinet Office Ordinance on Disclosure of Important Information).

#### **(3) Statutory Disclosure**

We disclose significant information which requires statutory disclosure under the Financial Instruments and Exchange Act appropriately in accordance with laws and regulations.

### **3. Dialogue with Shareholders and Investors**

We recognize that, in order to achieve continuous growth and an increase in corporate value over the medium to long-term, reflecting opinions from its shareholders in the management appropriately is one of the significant management issues. Therefore, for the better understanding of our business strategies and management plan by shareholders, we shall offer dialogue with shareholders and investors, with the Director in charge of Public and Investor Relations Department being in charge of institutional investors and

individual investors. Furthermore, by reporting opinions obtained from the dialogue to the Board of Directors and other bodies as necessary, we shall endeavor to understand various standpoints of stakeholders in a balanced way and respond thereto appropriately based on such understanding.

#### **4. Silent Period**

We establish a silent period that extends from the day following the closing date of a fiscal quarter until the date of the financial results announcement in order to prevent the leak of information on financial results. During this silent period, we refrain from making new comments relating to financial results. However, should the possibility that financial results will diverge significantly from previous performance forecasts emerge during the silent period, we will disclose this information in accordance with the rules on timely disclosure. We will respond to inquiries relating to information that has already been disclosed during the silent period.

#### **5. Forward-Looking Statements**

Statements, 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. The Company discloses such statements with a caution that actual results may vary significantly from these forecasts due to various factors.