News Release

TAKARA HOLDINGS INC.
20 Naginataboko-cho, Shijo-dori Karasuma Higashi-iru,
Shimogyo-ku, Kyoto 600-8688, Japan
Public Relations Section +81-75-241-5122
Investor Relations Office +81-75-241-512

May 9, 2017

Takara Holdings Prepares Takara Group Medium-Term Management Plan FY2020

Takara Holdings Inc. (president: Toshio Kakimoto) prepared the Takara Group Medium-Term Management Plan FY2020 (hereinafter, "the Plan"), a medium-term management plan covering three years through fiscal 2020, the year ending March 31, 2020. In April 2011, we commenced the Takara Group Vision 2020* (hereinafter, "the long-term vision"), a 10-year long-term management vision for which we are taking concrete measures through medium-term management plans every three years. The Plan is the last step towards achieving the long-term vision, and is a plan to reach the operating income target of the long-term vision in the final year of the Plan—one year ahead of schedule.

*For further information on the Takara Group Vision 2020, please see page 9 of this document.

Concerning the business environment surrounding the Takara Group, the domestic alcoholic beverages market is contracting due to population aging and population decrease, while diversification in consumption patterns is intensifying competition between manufacturers. An uncertain outlook for the world economy also presents risks related to exchange rates and rising prices for oil and other resources. Factors such as these suggest the Group will face even stronger headwinds going forward. On the upside, the domestic economy continues to make a gradual recovery and inbound demand arising from an increasing number of foreign tourists is expected to have a dramatic and positive economic impact as we move towards the 2020 Tokyo Olympics and Paralympics. Moreover, market growth is predicted for industries peripheral to regenerative medicine and cell therapy. In overseas markets, Japanese food continues to grow in popularity as a result of a growing number of health enthusiasts around the world and developments such as the registration of washoku as a UNESCO Intangible Cultural Heritage. With further market growth expected, we foresee many growth opportunities for the Group going forward.

The basic policy of the Plan calls for building up a great number of fields in which we can beat competitors and establish a balanced business foundation able to grow revenues significantly no matter what environmental changes occur by further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge both in Japan and overseas. Tangible goals for fiscal 2020 are consolidated net sales of ¥290 billion or above, operating income of ¥15.5 billion or above, and an overseas sales ratio of 33% or above.

1. Summary of the Takara Group Medium-Term Management Plan FY2020

Basic policy	By further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge both in Japan and overseas, we are aiming to build up a great number of fields in which we can beat competitors and establish a balanced business foundation able to grow revenues significantly no matter what environmental changes occur.
Tangible goals	Year ending March 31, 2020: Takara Group net sales at least ¥290 billion, operating income at least ¥15.5 billion, overseas sales accounting for at least 33% of net sales

Business strategies	
Takara Shuzo	Expand sales in all categories, with sake as the core, improve the profit ratio and cement our position as a top manufacturer of traditional Japanese alcoholic beverages in the domestic alcoholic beverages and seasonings markets.
Takara Shuzo International Group	Dramatically expand our scope of business by enlarging our overseas Japanese food wholesaler network, together with developing our business foundation and strengthening our position with the goal of becoming a leading company in the global Japanese alcoholic beverages and foods market.
Takara Bio Group	Strengthen our three business segments, namely, the Bioindustry, Gene Therapy, and AgriBio businesses, and the business base that supports these efforts, enhance our standing as a global enterprise and regenerative medical product company, and achieve prodigious growth.

Financial policy	Maintain a strong balance sheet and make growth-oriented investments while also improving our ROE and achieving proper stock price levels by providing appropriate shareholder returns.
Strengthening our management base	Strengthening management : Strengthening business management with a view to expanding our business globally Corporate culture and personnel : Developing the people that support the Group and improving the Group's human capital strategy CSR : Developing systems consistent with the Corporate Governance Policy, conducting social and environmental activities, and releasing ESG-related information

Note: With the establishment of Takara Shuzo International to take place on July 3, 2017, business segments will be changed beginning in the fiscal year ending March 31, 2018; the existing "Takara Shuzo Group" will be divided into and referred to as "Takara Shuzo (domestic business)" and "Takara Shuzo International Group (overseas business)."

2. Business strategies

Takara Shuzo (domestic business)

＜Tangible goals＞ FY2020 (year ending March 31, 2020)
Net sales ¥160 billion or above
Operating income ¥6.0 billion or above

Expand sales in all categories, with sake as the core, improve the profit ratio and cement our position as a top manufacturer of traditional Japanese alcoholic beverages in the domestic alcoholic beverages and seasonings markets.

Although the downward trend for alcoholic beverage consumption in Japan is expected to continue, Takara Shuzo has a number of strong brands in every category as a top manufacturer of traditional Japanese alcoholic beverages. We also have a well-balanced product lineup, good technology and development capability, and a robust production system. Under the Plan, we will follow its basic business policy and continue developing differentiated products by using technologies, while at the same time improving upon our product development system in order to respond to increasingly diverse consumer needs in a speedy and timely fashion. We will also expand our product lineup further in order to become more competitive across every category of alcoholic beverage and seasoning. We are also working to improve our profit ratio by selling a greater proportion of high added-value products, and making efforts as a foods manufacturer to ensure the safety of our raw materials and strengthen our quality control system in order to provide safe and reliable products.

Our priority strategies for each category are as follows:

◆ **Sake**

・ We will acquire new customers for our Sho Chiku Bai Shirakabe-gura MIO Sparkling Sake by boosting awareness of the brand, and will more quickly turn people on to the brand by stepping up in-store promotion efforts when launching limited-run products.

・ While focusing on the Sho Chiku Bai Ten line for home use and Sho Chiku Bai Gokai for the commercial segment, we will also win new customers with specially designated sakes such as Yamada Nishiki and Junmai Daiginjo. The goal is to grow sales through these and other efforts to expand our product lineup according to each sales channel and target market.

◆ **Shochu**

・ In the ko-type shochu category, we will focus on maintaining our market share leader status in Japan by better advertising bottled shochu products such as Takara Shochu Jun, which celebrates 40 years on the market this year, and developing Takara Shochu Nippon into a core product.

・ For Honkaku shochu, in addition to drawing attention to the value of the quality of our 100% sweet-potato-based Ikkomon line and achieving greater Ikkomon sales by developing more limited-run products in the line, we will renew our existing lineup while also adding new products.

◆ **Light-alcohol refreshers**

・ With a central focus on developing the Takara Shochu High Ball line, we will establish the line as a top brand in the dry chu-hi segment and expand sales of the products.

・ We will promote the high-class uniqueness of Takara Can Chu-Hi and strengthen its presence in the premium beverage segment.

◆ **Home-use seasonings**

・ As the leading manufacturer of Hon Mirin and cooking sake, we will further increase sales of these product lines by offering the full range of container capacities based on the sales channel and selling space.

・ To stimulate the cooking sake market, we will develop and refine value-added products that include sugar-free products and products in "handy bottles" with adjustable-pour tops.

◆ **Seasonings for food processing**

・ We will grow sales by leveraging original technologies to develop products using functional seasonings and other new materials. This will see us to work with our processed food manufacturers and other customers to address the new demands and problems that are arising from market environment changes.

◆ **Raw alcohol**

・ To increase earnings, we will focus on gaining new customers primarily for 99% industrial alcohol products while instituting pricing policies flexibly tailored to business environment changes.

◆ **Technology development and quality control**

・ We endeavor to develop and expand our lineup of products that are differentiated by proprietary technologies that emphasize quality in ingredients and functions. Along with a dual focus on rapidly developing products and establishing a robust production system to accommodate market changes, we persistently strive to provide safe and reliable products by ensuring a high standard of safety for all our ingredients and products while continually refining our quality control system.

Takara Shuzo International Group (overseas business)

＜Tangible goals＞ FY2020 (year ending March 31, 2020)
Net sales ¥75 billion or above
Operating income ¥4.3 billion or above

Dramatically expand our scope of business by enlarging our overseas Japanese food wholesaler network, together with developing our business foundation and strengthening our position with the goal of becoming a leading company in the global Japanese alcoholic beverages and foods market.

The Takara Shuzo International Group is engaged in two businesses: the Overseas Alcoholic Beverages Business, which entails exports from Japan and the manufacture and sale of alcoholic beverages in overseas locations, and the Japanese Food Wholesale Business in overseas markets, through which we sell Japanese food ingredients to Japanese food restaurants and retailers outside Japan. Since the launch of the Japanese Food Wholesale Business in overseas markets in April 2010, business has grown rapidly overseas alongside efforts to build a wholesale network for Japanese foods, the result of welcoming a number of new companies into the Takara Shuzo International Group from Europe, the U.S., Australia, and elsewhere. Our fiscal 2018 (year ending March 31, 2018) overseas sales plan is ¥63 billion, which would be a more than tenfold increase over pre-2010 levels. Now, we aim to achieve even faster growth for its global business by maintaining and strengthening its business foundation, which includes achieving faster, more accurate decision-making and building a business foundation that includes our overseas sites. To this end, in July 2017, Takara Shuzo will be spinning off its overseas business to form Takara Shuzo International.

With the global market for Japanese foods growing larger in a trend that is expected to continue, the Takara Shuzo International Group will continue its efforts with the aim of establishing itself as a leading company in the global Japanese alcoholic beverages and food markets. Key strategies are outlined below.

◆ **Japanese Food Wholesale Business in overseas markets**

Alongside efforts to achieve business growth at group companies by acquiring new customers in existing markets primarily through leveraging our existing network and by moving into new peripheral business areas, we will select partner companies that can help to further expand this network. Efforts will also focus on creating synergy through efforts such as integrating business processes and systems across all group companies, reducing procurement costs and expanding sales of strategic products through shared purchasing.

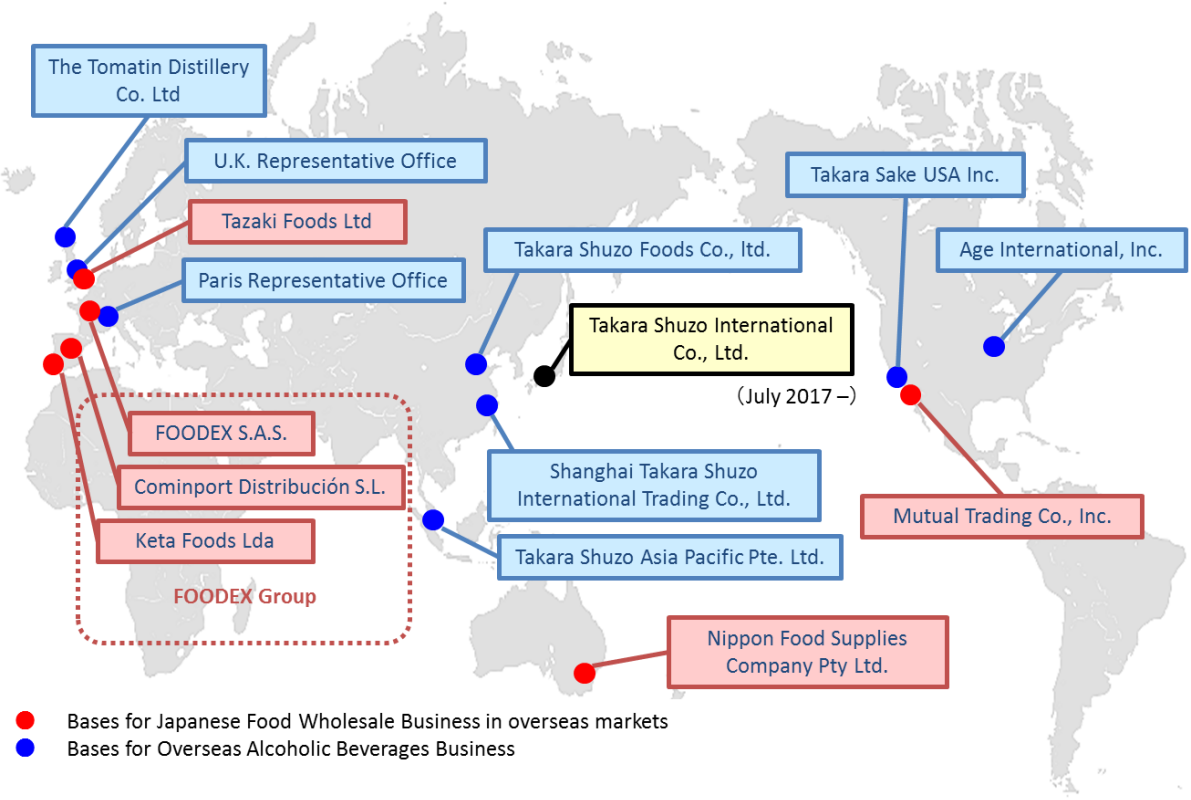
◆ **Overseas Alcoholic Beverages Business**

Takara Sake USA Inc. (U.S.A.) and Takara Shuzo Foods Co., Ltd. (China) will increase unit sales by filling out their product lineups of high-quality sake and expanding their sales channels. Domestic efforts will meanwhile focus on strengthening export strategy, establishing Mio sparkling sake as a global brand, and developing premium sake products for overseas markets as part of efforts to increase our competitiveness in the overseas Japanese alcoholic beverages market.

◆ **Group company management**

While growing overseas business, companies new to the Takara Shuzo International Group will work with specialized teams from Takara Holdings to strengthen their business foundation by addressing areas that include quality assurance, labor management, accounting, internal control, and IT control. With the aim of becoming a leading company in the global Japanese alcoholic beverages and foods markets, we will reinforce its systems for every aspect of business management through efforts that include not only reviewing individual company performance but also ensuring compliance and practicing risk management.

Overseas Bases of Takara Shuzo International Group



Takara Bio Group (Biomedical Business)

＜Tangible goals＞ FY2020 (year ending March 31, 2020)
Net sales ¥38.5 billion or above
Operating income ¥4.0 billion or above

Strengthen our three business segments, namely, the Bioindustry, Gene Therapy, and AgriBio businesses, and the business base that supports these efforts, enhance our standing as a global enterprise and regenerative medical product*1 company, and achieve prodigious growth.

Guided by its corporate philosophy of "contributing to the health of mankind through the development of revolutionary biotechnologies such as gene therapy," the Takara Bio Group leverages biotechnology, its fundamental technology, to engage in three businesses: Bioindustry Business, Gene Therapy Business, and AgriBio Business. The Plan aims to strengthen Takara Bio's three business segments and the business base that supports these efforts, to enhance Takara Bio's standing as a global enterprise and regenerative medical products company, and to achieve prodigious growth.

Key strategies are outlined below.

◆ **Bioindustry Business**

The Bioindustry Business aims to achieve prodigious growth by simultaneously expanding business overseas and strengthening domestic business.

- Overseas business will leverage the acquisition of WaferGen Bio-systems and Rubicon Genomics to maximize synergy among R&D, manufacturing, and sales. In addition, a global SCM (supply chain management) system will be built in order to provide a worldwide logistics and inventory management system. In R&D, efforts will focus on ramping up research across the four research and development bases that span Japan, U.S., Europe, and China in the areas of reagents, contracted services, and equipment.
- The priority for domestic operations will be expanding CDMO business, which has seen explosive market growth. With an eye to expanding sales primarily in the contracted services, which includes the manufacture of GMP grade vectors, quality testing and others, Takara Bio will reinforce and develop the necessary manufacturing capabilities by developing related technologies and expanding on its facilities and equipment.

◆ **Gene Therapy Business**

The Gene Therapy Business will clearly distinguish between independent development projects and joint projects and by selection and concentration, will aim for quickly obtaining approval for gene therapies.

- With its independent development projects, Takara Bio aims to launch the HF10 project in the year ending March 31, 2019 and take the first step towards making Takara Bio a manufacturer of regenerative medical products with the goal of launching multiple products in the year ending March 31, 2021. Takara Bio will conduct clinical trials according to plan and construct a system for pharmaceutical affairs and manufacturing business aimed at ensuring successful production following product launch.
- Through its joint projects, Takara Bio will work closely with other organizations on domestic HF10 projects. The goal is to complete domestic clinical trials for pancreatic cancer, which is scheduled to begin in the year ending March 31, 2018. For other projects, new partners will be selected from mostly outside Japan.

◆ **AgriBio Business**

The AgriBio Business aims to establish the functional foods and mushrooms businesses as profit pillars to support continuously expanding profits.

- In the functional foods business, Takara Bio will focus its research and development (human intervention studies, etc.) on six types of functional ingredients* and will proactively publish its results based on the data from that research (through research advertisements and other means). Takara Bio will also closely coordinate with Takara Healthcare Inc. to build a platform for the stable supply of products suited to the company's sales plan while helping to grow the Takara Group's health foods business.

  *Six types of functional ingredients

  Gagome Kombu (Kelp) “Fucoidan,” Agar-derived “Agaphytose®,” Ashitaba (Angelica Herb) “Chalcone,”

  Herb (Peucedanum japonicum) “Isosamidin,” Yam (Dioscorea esculenta) “Yamsgenin,” Mushroom “Terpene”
- Takara Bio's mushroom business will focus on executing brand strategies in the markets for three types of mushrooms (honshimeji, clustered domecap, and brown beech) and will establish a stable revenue base not susceptible to market volatility.
- As a part of these strategies, the honshimeji-related business will advertise the strong value of the honshimeji mushroom ("Matsutake for aroma, Shimeji for taste," as the saying goes) and develop a brand of products certified as Kyoto Brand Goods*7, while also focusing on sales of frozen mushrooms.

Note: Takara Bio Medium-Term Management Plan FY2020 was announced today by Takara Bio Inc. (First Section of the Tokyo Stock Exchange, securities code number: 4974) Please see the press release for details.

3. Financial policy

Maintain a strong balance sheet and make growth-oriented investments while also improving our ROE and achieving proper stock price levels by optimizing shareholder return.

◆ Maintaining a strong balance sheet

The Group will maintain a 50% equity ratio and credit rating of A (single-A flat).

◆ Investing for growth

Each business will proactively invest in areas where profit growth is expected.

- Takara Shuzo: Developing new products and accommodating increased production
- Takara Shuzo International Group: Ally with new partners in the Japanese Food Wholesale Business in overseas markets
- Takara Bio Group: Acquire new technologies in the Bioindustry business and Gene Therapy business

◆ Improving ROE through suitable returns to shareholders

As part of our policy to increase dividends based on consolidated operating income level, the deemed dividend payout ratio* (ratio of total dividends to operating income less adjusted taxes) target will be 30%. We also aim to achieve an ROE in the high six per cent range by flexibly acquiring treasury stock, selling cross shareholdings and allocating the proceeds to growth investment and returns to shareholders as circumstances permit.

$$\text{* Deemed dividend payout ratio} = \frac{\text{Total dividends}}{\text{Consolidated operating income} \times (1 - \text{effective tax rate})} \fallingdotseq 30\%$$

4. Strengthening our management base

◆ **Strengthening management: Strengthening business management with a view to expanding our business globally**

As its overseas business grows, the Group is focused on strengthening the business foundation of new Group companies while also practicing risk management, bolstering its quality assurance system, and building IT infrastructure on a global scale.

◆ **Corporate culture and personnel: Developing the people that support the Group and improving the Group's human capital strategy**

Alongside efforts to improve our human capital strategy, we are using the newly-constructed Takara Holdings Historical and Memorial Museum and other means to develop the people that will carry the Group forward. We also continue to focus on encouraging greater involvement in the workplace by women and retired people.

◆ **CSR: Developing systems consistent with the Corporate Governance Policy, conducting philanthropic and environmental activities, and releasing ESG-related information**

In accordance with the Takara Holdings Corporate Governance Policy, the Group will work on putting together appropriate systems while continuing to engage in philanthropic and environmental activities aimed at preserving the natural environment, addressing the problem of empty beverage container disposal, and other such issues. At the same time, the Group will proactively disclose ESG-related information and carry out other IR activities based on recent investment environment trends.

Long-term management vision: Takara Group Vision 2020

Takara Group Vision 2020 (ten years from April 2011)

Grow businesses in markets in Japan and overseas in which the Group can leverage its strengths, establish a balanced business structure that is readily adaptable to changing conditions.

From April 2011, the Group embarked on a new drive toward realizing a long-term management vision, the Takara Group Vision 2020, which covers a ten-year period.

In recent years, the Group has faced many changes in conditions. Japan's alcoholic beverages market has shrunk due to the aging of society, while the deregulation of liquor retail licenses has changed the structure of distribution. Other changes include the recession that a worldwide financial crisis triggered and fiercer competition over new product development due to rapid progress in Biomedical field.

Faced with these conditions, the Group has brought to market highly original products and innovative technological services that take advantage of the advanced technological capabilities that are the Group's strength. We have based these initiatives on our corporate philosophy: "Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature."

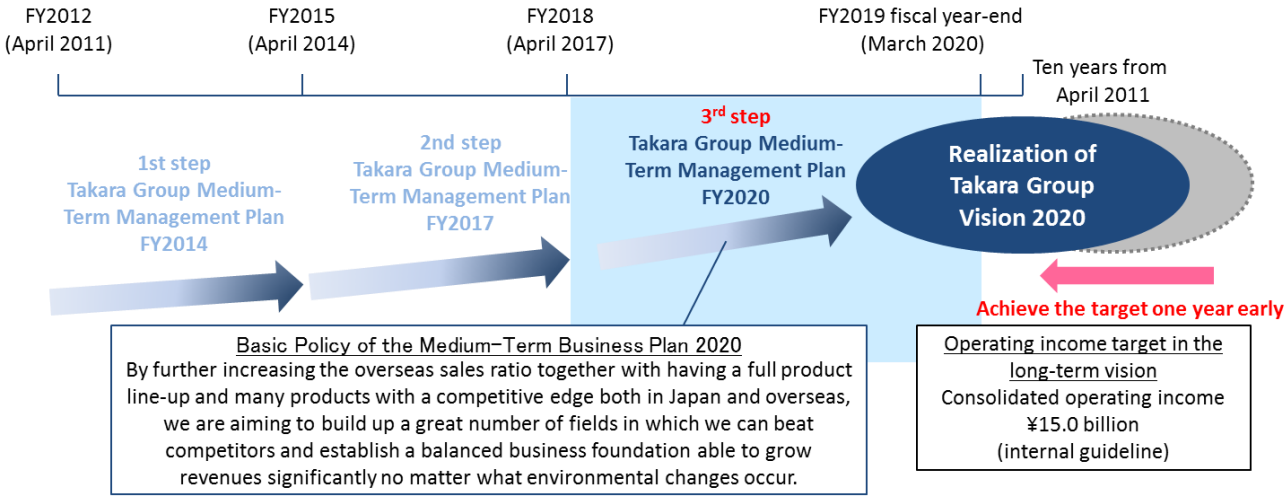
As a result of these efforts, we have built a unique and robust business portfolio that comprises a stable, core business—alcoholic beverages and seasonings—and promising growth businesses—the Biomedical Business and the Health Foods Business.

Six years into the management vision, the Takara Group finds itself pushing on in the face of challenging changes in the environment. The domestic alcoholic beverages market is shrinking and consumption patterns are diversifying and, in addition, there are increasing risks associated with exchange rate volatility and resource price increases resulting from uncertainty over the global economic outlook. On the other hand, Japan's economy is making a gradual recovery and R&D in the regenerative medicine and cell therapy fields is picking up steam, which provides grounds for an expectation of future growth in related markets. The Group also sees opportunities in markets outside Japan on the basis of a rapid 1.6x increase in the number of Japanese food restaurants in the three years up to 2015.

Drawing from our sophisticated technological expertise and business portfolio built up over many years, we are convinced that realizing the long-term vision by expanding business both in Japan and overseas and establishing a balanced business structure that is readily adaptable to changing conditions is the best means of achieving continued growth for the Group.

We, the Takara Group, want to increase our corporate value by providing products and services worldwide that feature technology-enabled reliability and safety; contributing to the progress of medicine; and enriching people's lives around the world.

Position of Takara Group Medium-Term Management Plan FY2020



For related inquiries

Takara Holdings Inc. Public Relations Section: +81-75-241-5122 (Kyoto) +81-3-3278-8460 (Tokyo)
Investor Relations Office : +81-75-241-5124 (Kyoto)

This data is being distributed to the following press clubs on Thursday, May 9.
Kyoto — Kyoto Economic Press Club
Osaka — Osaka Chamber of Commerce Press Association
Tokyo — Agricultural Policy Club, Tokyo Chamber of Commerce and Industry Club

Forward-Looking Statements

Statements in this document, 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, declines in selling power of the Company's existing and new products, disruptions to production, violations of the Company's intellectual property rights, rapid advances in technology and unfavorable verdicts in major litigation.