

Apr. 27, 2011

### **Takara Holdings Prepares Takara Group Medium-Term Management Plan FY2014**

Takara Holdings Inc. (president: Hisashi Ohmiya) prepared the Takara Group Medium-Term Management Plan FY2014 (hereinafter, “the Plan”), a medium-term management plan covering three years through fiscal 2014, the year ending March 2014. The Company views the Plan as the first step toward realizing the Takara Group Vision 2020\*, a previously prepared long-term management vision covering ten years from April 2011.

The plan’s basic policy is to achieve stable growth in Japan while expanding the Company’s business base in order to grow significantly overseas. This is the first time that the Company has set out a target for overseas sales as a percentage of net sales.

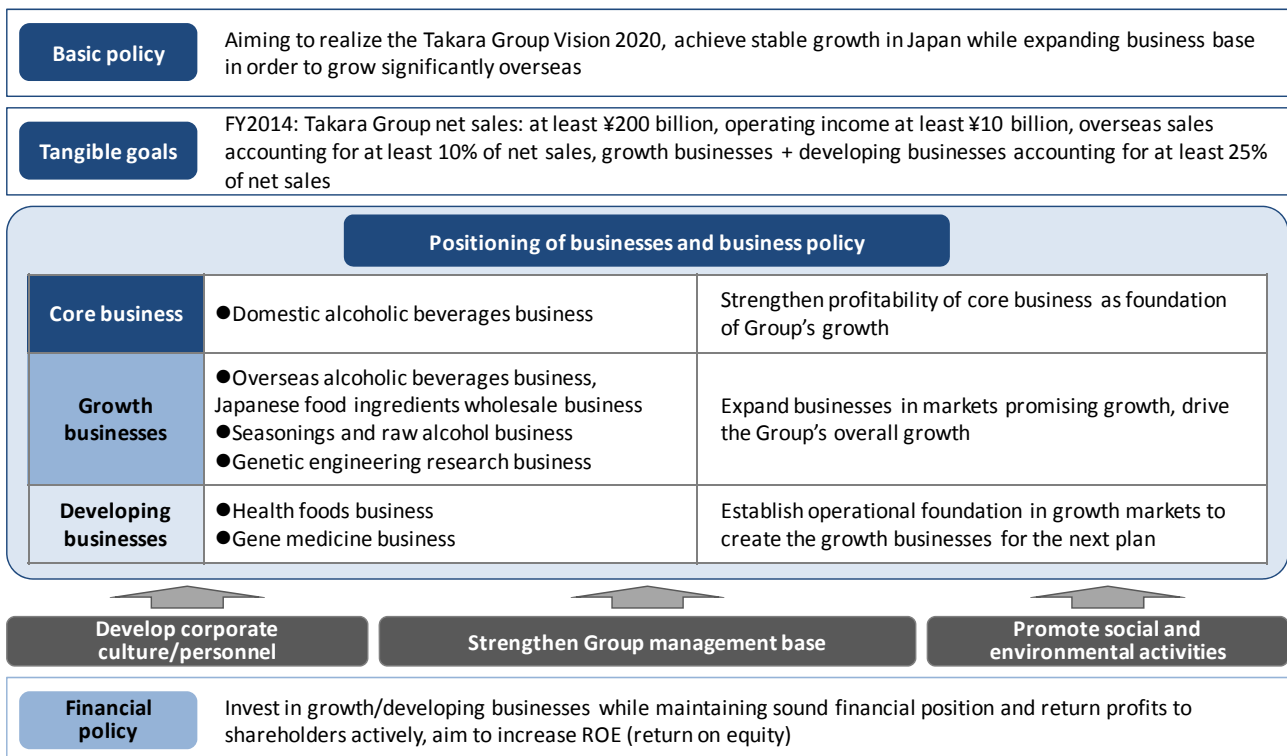
\* For further information on the Takara Group Vision 2020, please see page 4 of this document.

The Group is likely to face increasingly tough conditions as population decline and deindustrialization shrink Japan’s consumer market; the economy experiences a prolonged recession; and advances in biotechnology lead to fiercer technology-development competition. On the other hand, the Group has many opportunities for growth. In Japan, these include a growing market for the elderly as the aging of society accelerates as well as a growing market for prepared food products stemming from an expansion in the market for meals not prepared at home and an increase in single-portion meals. Overseas, the markets for Japanese food products as well as biomedical- and biotechnology-related markets are expanding thanks to growing health awareness and advances in medicine in developed countries together with economic growth and higher incomes in emerging countries.

Aiming to achieve sustained growth for the Group amid these conditions, the Company set out as a target establishing a balanced business structure that is readily adaptable to changing conditions in the Takara Group Vision 2020. And, the Company prepared the Plan as the first step in efforts to realize this vision.

Under the Plan, the basic policy is to achieve stable growth in Japan while expanding the Company’s business base in order to grow significantly overseas. The Plan’s tangible goals are: net sales of at least ¥200 billion, operating income of at least ¥10 billion, and overseas sales accounting for at least 10% of net sales.

#### **1. Summary of the Takara Group Medium-Term Management Plan FY2014**



## 2. Business policy

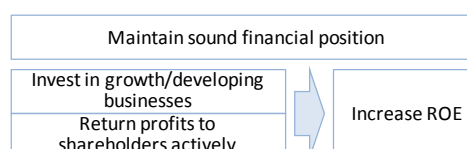
(For information about business strategy by business group please see pages 5 to 7 of this document.)

<b>Core business</b>	<b>Strengthen profitability of core business as foundation of Group's growth</b>
<ul style="list-style-type: none"> <li>● Domestic alcoholic beverages business</li> </ul>	<p>We will develop new products with differentiated quality and originality and foster brands. Also, by further strengthening profit management and increasing operational efficiency, we will strengthen profitability and achieve stable growth. And, we will generate stable cash flows and support the Group's growth.</p>
<b>Growth businesses</b>	<b>Expand businesses in markets promising growth, drive the Group's overall growth</b>
<ul style="list-style-type: none"> <li>● Overseas alcoholic beverages business, Japanese food ingredients wholesale business</li> <li>● Seasonings and raw alcohol business</li> <li>● Genetic engineering research business</li> </ul>	<p>We will establish sales networks in Europe and the United States for the wholesale of Japanese food ingredients. And, by maximizing synergies between the Japanese food ingredients wholesale business and the overseas alcoholic beverages business, we will accelerate business growth and drive the Group's overall growth.</p> <p>We will expand businesses in the seasonings business for food processing and raw alcohol business areas. At the same time, we intend to leverage the synergies from the integration of both businesses, accelerate the growth of BtoB business, and drive the Group's overall growth.</p> <p>By developing core technologies and opening up markets in Japan and overseas, including emerging countries, we will further increase sales and strengthen profitability, thereby driving the Group's overall growth.</p>
<b>Developing businesses</b>	<b>Aim to commercialize next-period growth businesses in markets with growth potential, establish business foundations</b>
<ul style="list-style-type: none"> <li>● Health foods business</li> <li>● Gene medicine business</li> </ul>	<p>We will take steps to establish a business foundation with a view to dramatic growth. We aim to strengthen scientific evidence for health food ingredients by using Takara Bio's technologies. Also, through effective and efficient investment we will acquire new mail-order customers. And, we intend to increase sales by stepping up Business-to-Business sales promotion. Through these initiatives, we aim to move Takara Healthcare Inc. into a position of profitability in fiscal 2013, the year ending March 2013.</p> <p>Aiming to commercialize Japan's first <i>ex vivo</i> gene therapy, we will advance clinical development. At the same time, we will seek higher sales of technical support services for cancer immunotherapy.</p>

## 3. Financial policy

**Invest in growth/developing businesses while maintaining sound financial position and return profits to shareholders actively, aim to increase ROE (return on equity)**

- Growth investments We will give priority to investing resources in growth businesses and developing businesses.
- Returns to shareholders Combining dividends and share buybacks, we will realize a shareholder return payout of at least 50%\*1.



\*1 Shareholder return payout = (Total dividends + Amount of share buybacks) / Deemed consolidated net income\*2  $\geq 50\%$

\*2 Deemed consolidated net income = (Consolidated ordinary income - Interest income and dividends + Interest payments)  $\times$  (1 - Effective tax rate)

#### 4. Strengthen Group management base

**Support business strategy by strengthening the Group's overall capabilities, cost competitiveness, technology/product development, and IT infrastructure**

- Strengthen the Group's overall capabilities We will pursue synergies among Group companies and businesses and create business opportunities. At the same time, we will functionally reorganize businesses/organizations and promote business expansion and increased organizational efficiency.
- Strengthen cost competitiveness We will counter hikes in raw material prices by taking measures to increase purchasing capabilities and productivity and reduce loss. At the same time, the whole Group will work ceaselessly to increase efficiency and reduce cost.
- Strengthen technology/product development We will strengthen the development of original differentiated technology. At the same time, we will create new market demand through new product development leveraging the Group's strengths.
- Strengthen IT infrastructure We will leverage IT to upgrade operations and to increase efficiency. At the same time, we will reduce IT costs and raise IT security levels.

#### 5. Develop corporate culture/personnel

**We will foster the global personnel, specialized personnel, and technicians that are essential for the Group's growth. Also, we will optimize personnel deployment within the Group by actively exchanging personnel within the Group in light of business development.**

#### 6. Promote social and environmental activities

**We will meet our responsibilities to stakeholders by advancing CSR initiatives and environmental initiatives through our business activities.**

- Strengthen compliance system We will build a compliance system that integrates Group companies in Japan and overseas.
- Strengthen governance We will strengthen internal control and internal auditing systems for overseas subsidiaries in line with the expansion of overseas businesses.
- Promote the preservation of biodiversity We will take measures to preserve the natural environment through management of the Takara Harmonist Fund. At the same time, we will conduct environmental education initiatives such as the Takara Farm School, which teaches the importance of preserving biodiversity.
- Reduce CO<sub>2</sub> emission volumes We will reduce CO<sub>2</sub> emission volumes (total volume) and contribute to the realization of a low-carbon society.
- Take measures to save energy/resources and reduce waste We will advance measures to save energy and recycle food products and pursue 4R\* initiatives. At the same time, we will use water efficiently and reduce waste volumes.

\* 4R: Refuse, Reduce, Reuse, Recycle

## Reference: Long-term management vision Takara Group Vision 2020

### Takara Group Vision 2020 (ten years from April 2011)

**Management goal** 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 seen 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 biotechnology research.

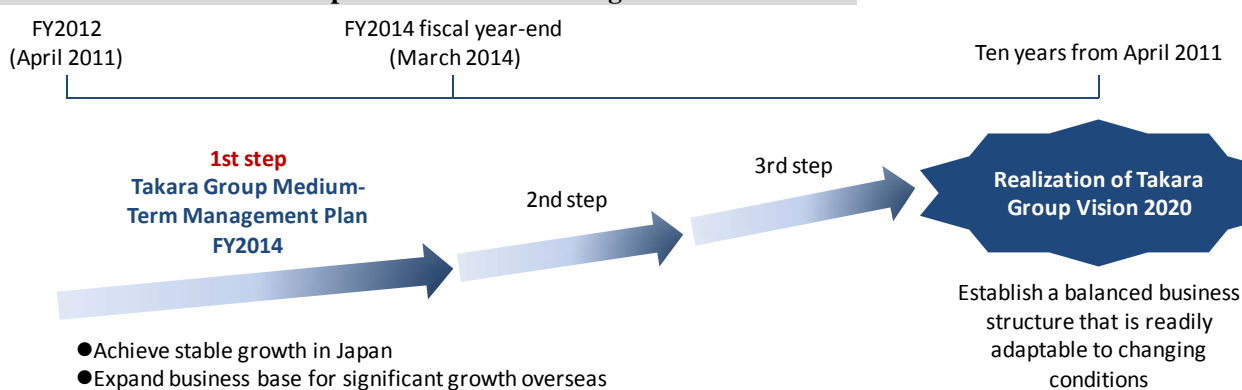
Faced with these conditions, the Group has brought to market highly original products and innovative technological services that take advantage of the advanced technological capabilities that are the Group's strength. We have based these initiatives on our corporate philosophy: "Contributing to the creation 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.

The coming 10 years are likely to see Japan's consumer market shrink as well as a various other changes in Japan and overseas, such as the economic advance of emerging countries. Further, this could also be a period of unprecedented changes.

In response to these conditions, the Group will seek sustained growth by using the technological capabilities and business portfolio it has built as a base on which to expand businesses in Japan and overseas and establish a balanced business structure that is readily adaptable to changing conditions.

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

### Position of the Takara Group Medium-Term Management Plan FY2014



## 7. Business strategy by business group

### Takara Shuzo Group

FY2014 Tangible goals

Net sales: ¥180.0 billion

Operating income: ¥7.7 billion

### **Japan—strengthen profitability of alcoholic beverages business and expand BtoB business Overseas—build networks for the wholesale of Japanese food ingredients**

The Takara Shuzo Group is likely to face increasingly tough conditions due to the shrinking of Japan's consumer market and raw material price hikes. On the other hand there are new opportunities for the group. In Japan, these include expansion in the market for meals not prepared at home and the increase in single-portion meals due to the growing number of one-person households and the social advancement of women. Overseas, opportunities include an expanding market for Japanese food in step with increasing health awareness among developed countries and higher income levels among emerging countries as well as more business chances resulting from the overseas expansion of Japanese companies.

The Takara Shuzo Group will strengthen the profitability of the Domestic alcoholic beverages business, which it will position as a core business. At the same time, it will position the BtoB business (Seasonings and raw alcohol business) and the Overseas business as growth businesses and actively expand them. As a result of these efforts, the group aims to achieve net sales of ¥180.0 billion and operating income of ¥7.7 billion in fiscal 2014.

#### **(1) Domestic alcoholic beverages business**

We will nurture original new products with differentiated quality, foster multiple brands in conjunction with existing products, and increase revenues. At the same time, we will strengthen profit management and increase operational efficiency in order to strengthen profitability. Our priority strategies for each product category are below.

##### ◆ Shochu

- Maintain position as leading manufacturer by accelerating brand nurturing and actively creating new demand
- Strengthen *honkaku shochu* brands *Ikkomon* 100% sweet-potato-based *shochu* and *Shirashinken honkaku* barley *shochu* while nurturing *honkaku shochu Yokaichi* as the mainstay of mid-range products
- Aim to increase sales of *Gokujo Takara Shochu* and use new products to create demand in new areas in the *ko*-type *shochu* category

##### ◆ Sake

- Put a brake on downward trending sales/earnings by strengthening existing brands and developing/nurturing new products
- Aim to rapidly increase sales and foster a high-quality image for the *Sho-Chiku-Bai Shirakabe-gura* brand
- Aim to increase sales of *Sho-Chiku-Bai Ten* and develop *Sho-Chiku-Bai Gokai* into leading brands in restaurant sales channels

##### ◆ Light-alcohol refreshers

- Emphasize rigorously the differentiated quality of *Takara Can Chu-Hi* and *Takara Shochu High Ball*, establish an unshakable position in the dry segment of the canned *chu-hi* market
- Aim to create new areas of demand by developing/nurturing innovative products

##### ◆ Home-use seasonings

- Increase sales centered on *Takara Hon Mirin Junryo* and *Ryori-no-Tame-no Seishu*, put on growth track
- Aim to create new areas of demand by developing/nurturing new products

#### **(2) Seasonings and raw alcohol business**

Aiming to expand the seasonings business for food processing, we will rapidly take measures to develop products that reflect the viewpoints of customers and realize sales activities that earn the absolute trust of customers. Further, in the raw alcohol business we intend to simultaneously pursue growth strategies in new business areas while advancing strengthening strategies for existing businesses in order to increase volumes and establish competitive superiority. In conjunction with these efforts, we will take advantage of the merits of business segment integration to create synergies centered on strengthening responsiveness to customers. Also, we will accelerate the growth of the BtoB business.

#### **(3) Overseas business**

In the Overseas alcoholic beverages business, concentrating on the United States, Europe, and China, we will increase our share of the Japanese restaurants market and expand our presence in mass retail channels. Also, in the Japanese food ingredients wholesale business, we intend to build and expand sales networks in Europe and the United States while promoting coordination/operational tie-ups between wholesale businesses. At the same time, aiming to create synergies between both businesses, we will propose solutions that combine Japanese alcoholic beverages and food ingredients, thereby expanding our sales channels/presence in the restaurant and bar market overseas.

**While posting continuous profit, restructuring the business and implementing selection and concentration in the deployment of management resources, aim to build foundation for future growth**

Based on its corporate philosophy—Contribute to the health of mankind through the development of revolutionary biotechnologies such as gene therapy—the Takara Bio Group will focus on three business areas that utilize the group's core biotechnology: the Genetic engineering research business which is a base that provides stable earnings; the AgriBio business, which is tasked with becoming the segment's second profitable business; and the Gene medicine business, which is a foundation for future growth.

In the Genetic engineering research business, the group intends to expand its business by actively providing new products and services in the real-time PCR analysis field and the advanced cell biology field—markets that promise growth. As for the AgriBio business, plans call for achieving operating income in fiscal 2012 by increasing sales of health-oriented foods and mushroom products and undertaking effective and efficient expenditure. In the Gene medicine business, we will actively research and develop gene therapy and cell therapy while aiming to increase sales. Through such initiatives, the Takara Bio Group aims to record net sales of ¥22.7 billion and operating income of ¥1.3 billion in fiscal 2014.

**(1) Genetic engineering research business**

This business is the Takara Bio Group's core business and earnings base. It sells research reagents and scientific instruments used by biotechnology researchers in universities and companies worldwide and provides contract research services. In order to further strengthen this business, we intend to actively develop the business as follows.

- Develop new products/increase sales in the real-time PCR analysis field and the advanced cell biology field
- Develop technologies related to next-generation sequencing systems and increase sales of their contract services
- Increase sales in the Asia Pacific and other overseas regions by strengthening marketing capabilities
- Advance development of core technologies by heightening the productivity of research and development

**(2) Gene medicine business**

Moving forward with clinical development of gene therapy/cell therapy and aiming to commercialize Japan's first *ex vivo* gene therapy, we will actively develop the following businesses.

◆ Gene therapy

- Advance clinical development of HSV-TK gene therapy for leukemia
- Advance clinical development of TCR gene therapy for cancer
- Advance clinical development of HIV gene therapy that uses MazF endoribonuclease
- Advance clinical development of oncolytic virus HF10
- Expand clinical development support business for bio-pharmaceuticals

◆ Cell therapy

- Advance clinical development of RetroNectin<sup>®</sup> induced T cell therapy.
- Increase sales of technical support services for cancer immunotherapy, such as RetroNectin<sup>®</sup> induced T cell therapy.
- Increase sales of cell culture media/gas permeable bags for cancer immunotherapy

**(3) AgriBio business**

In relation to health-oriented food and mushrooms, mainly focusing on the development of functional food ingredients, we will actively develop the following businesses.

- Increase mail-order sales and BtoB sales by strengthening scientific evidence for health-oriented food ingredients based on their functional constituents, including Gagome kombu (kelp) "fucoidan," agar "agaro-oligosaccharide," Ashitaba (angelica herb) "chalcone," yam (*dioscorea esculenta*) "Yamsgenin<sup>TM</sup>," herb (*peucedanum japonicum*) "isosamidin," and mushroom "terpene"
- Strengthen quality control/quality assurance systems in order to provide even safer/more reliable products
- Reduce costs by increasing efficiency of production technology for Hatakeshimeji mushrooms and Honshimeji mushrooms and increase sales
- Establish new cultivation methods for high-value-added mushrooms utilizing genetic information, such as Matsutake mushroom genome

\* Because the Takara Bio Group operates businesses that are based on leading-edge biotechnology, technological advances can produce dramatic changes in market conditions and competitive conditions. Therefore, the group renews its three-year plans every year. Accordingly, Takara Bio Group will renew its business strategy during the period of this medium-term management plan. Also, Takara Bio Inc. (Tokyo Stock Exchange Mothers; Securities code number: 4974) announced the Takara Bio Group's medium-term management plan today.

**Establish Gagome kombu (kelp) “fucoidan” as mainstay of health care business,  
move into a position of profitability in fiscal 2013**

Takara Health Care Inc. accelerates the growth of the health foods business through direct marketing, which directly delivers to customers reliable/safe health food products that are enabled by the Takara Group’s unique ingredients and technology.

The health foods market is likely to expand further given the accelerated aging of society. Amid these conditions, Takara Healthcare Inc. aims to move into a position of profitability in fiscal 2013 by focusing efforts on the Gagome kombu (kelp) “fucoidan” series and accelerating the growth of the mail-order business through proactive and efficient advertising that wins customers. Further, after achieving profitability the company will clarify its strategy on business expansion.

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**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.