

# Strong Core, Steady Growth

Solid and stable core business and  
Steady development of a growth business

February 26, 2010

Takara Holdings Inc.  
Representative Director, Executive Vice President  
Tadashi Omiya



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- I. Corporate Overview
- II. Strategies of Alcoholic Beverages and Seasonings Business
- III. Strategies of Biomedical Business
- IV. Strategies of Health Foods Business
- V. Financial Strategies
- VI. Basic Business Strategy



- Established : 1925
- Stock Listings : Tokyo and Osaka (Code : 2531)
- Head Office : Kyoto, Japan
- Company Representative : Hisashi Omiya, President
- Issued Capital : 13,226 million yen
- Market Capitalization : 116,251 million yen  
(December 30, 2009) ↗
- Net sales : 192,790 million yen
- Operating income : 8,851 million yen
- Net income : 5,639 million yen

(FY2009 : Year ended March 31, 2009)



## Overseas Offices

### ■ Takara Biotechnology (Dalian) Co., Ltd.

### ■ Takara Sake USA Inc.



# Takara Group Structure

(As of September 30, 2009)

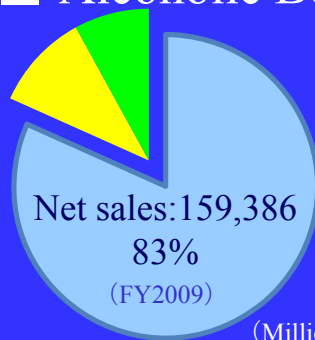
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## Business Outline

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### Alcoholic Beverages and Seasonings Business



Shochu



Sake

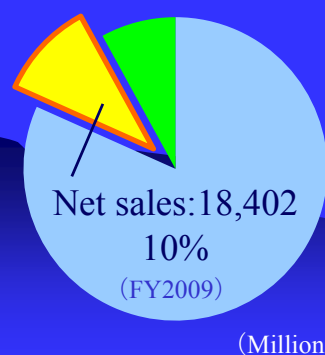


Light-Alcohol Refreshers



Seasonings

### Biomedical Business



**Genetic Engineering Research**

- 1) Research reagents
- 2) Scientific instruments
- 3) Contract research services

**AgriBio**

- 1) Health foods
- 2) Mushrooms

**Gene Medicine**

- 1) Gene therapies
  - 2) Cell therapies
- (Growth strategy business of Takara Group)



# Business Outline of Alcoholic Beverages and Seasonings Business p7

## ▼ Sales by segment : Takara Shuzo Group (Millions of yen)



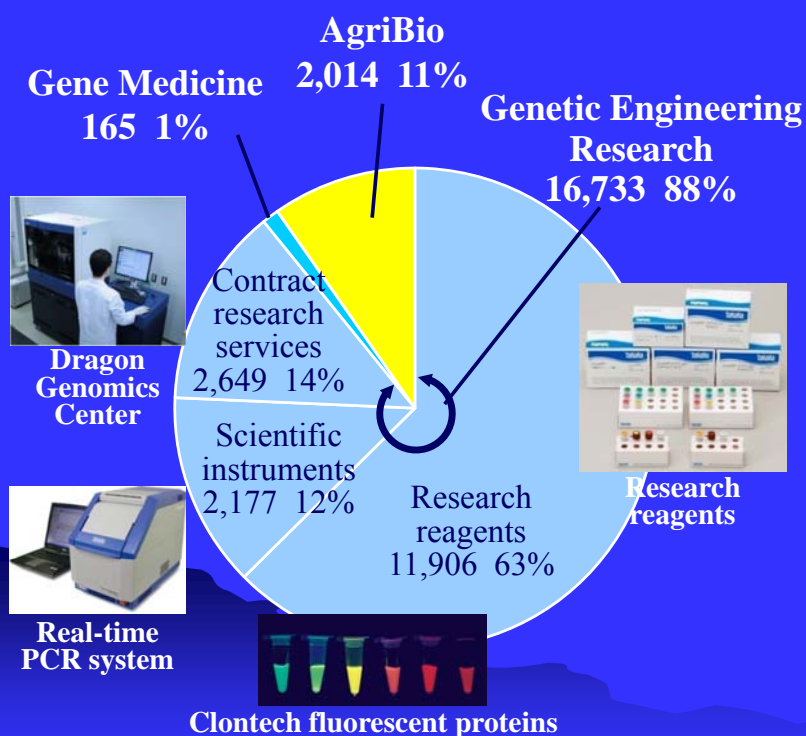
Categories	Domestic Market Share	Position
<b>Shochu</b>	<b>14.0%</b>	<b>1st</b>
<i>Ko-Type</i>	29.4%	1st
<b>Sake</b>	<b>7.0%</b>	<b>3rd</b>
For Gift Use(1.8 liter bottle sake)		1st
<b>Light-Alcohol Refreshers</b>	<b>11.8%</b>	<b>4th</b>
<b>Mirin(Type-1)</b>	<b>52.5%</b>	<b>1st</b>

(CY2008)

Sources: Nikkan Jouzou Sangyo Bulletin,  
Alcohol and Foods Monthly Statistics  
of Nikkan keizai tsushinsya, Inc., Takara's Sales Data

# Business Outline of Biomedical Business p8

## ▼ Sales by segment : Takara Bio Group (Millions of yen)



## “Banzuke” of Japanese Biotech Company in 2010 (by NIKKEI)

EAST		WEST
<ul style="list-style-type: none"> <li>• Chugai Pharmaceutical</li> <li>• Takeda Pharmaceutical</li> </ul>	<b>YOKOZUNA</b>	<ul style="list-style-type: none"> <li>• Kyowa Hakko Kirin</li> <li>• <b>TAKARA BIO</b></li> </ul>
<ul style="list-style-type: none"> <li>• DAIICHI SANKYO</li> <li>• FUJIFILM Holdings</li> <li>• Pfizer Japan</li> <li>• Roche Diagnostics</li> <li>• Novartis Pharma</li> </ul>	<b>OZEKI</b>	<ul style="list-style-type: none"> <li>• Astellas Pharma</li> <li>• Eisai</li> <li>• Otsuka Holdings</li> <li>• Mitsubishi Tanabe Pharma / Benesis / BIPHA</li> <li>• Kirin Brewery / Mercian / Kirin Beverage / Kirin Kyowa Foods / Kirin Agribio</li> </ul>

Source : Nikkei Business Publications, Inc.

## 1842 Sake brewing business is launched. (Production and sales of Sake started)

- 1864 Shochu and mirin businesses are launched.
- 1912 Continuous distilled Shochu is launched.
- 1920 "Sho-Chiku-Bai" sake is launched.

## 1925 Takara Shuzo Co., Ltd. is established.

- 1949 Takara Shuzo Co., Ltd. is listed on the Tokyo Stock Exchange.
- 1967 Central Research Institute is established.
- 1972 Import and sale of Chinese alcoholic beverages start.
- 1977 "Takara Shochu Jun" is launched.



Central  
Research Institute



PR poster  
from 1930s

## 1979 Sales of first domestically produced restriction enzymes begins.

- 1983 Takara Sake USA Inc. is established.
- 1984 "Takara Can Chu-Hi" is launched.
- 1993 The exclusive worldwide rights to PCR method, which is widely used in gene amplification, are obtained.
- 1995 The RetroNectin® Method, a highly efficient gene transduction method, is developed.
- 2001 "Ikkomon" (a 100% pure sweet potato shochu) is launched.



"Takara Can Chu-Hi"



Restriction  
Enzymes



RetroNectin®  
Reagent  
(GMP grade)

## 2002 Takara Holdings Inc. (holding company) starts.

- 2004 Takara Bio Inc. is listed on the Tokyo Stock Exchange Mothers market.
- 2006 Takara Healthcare Inc. is established.

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





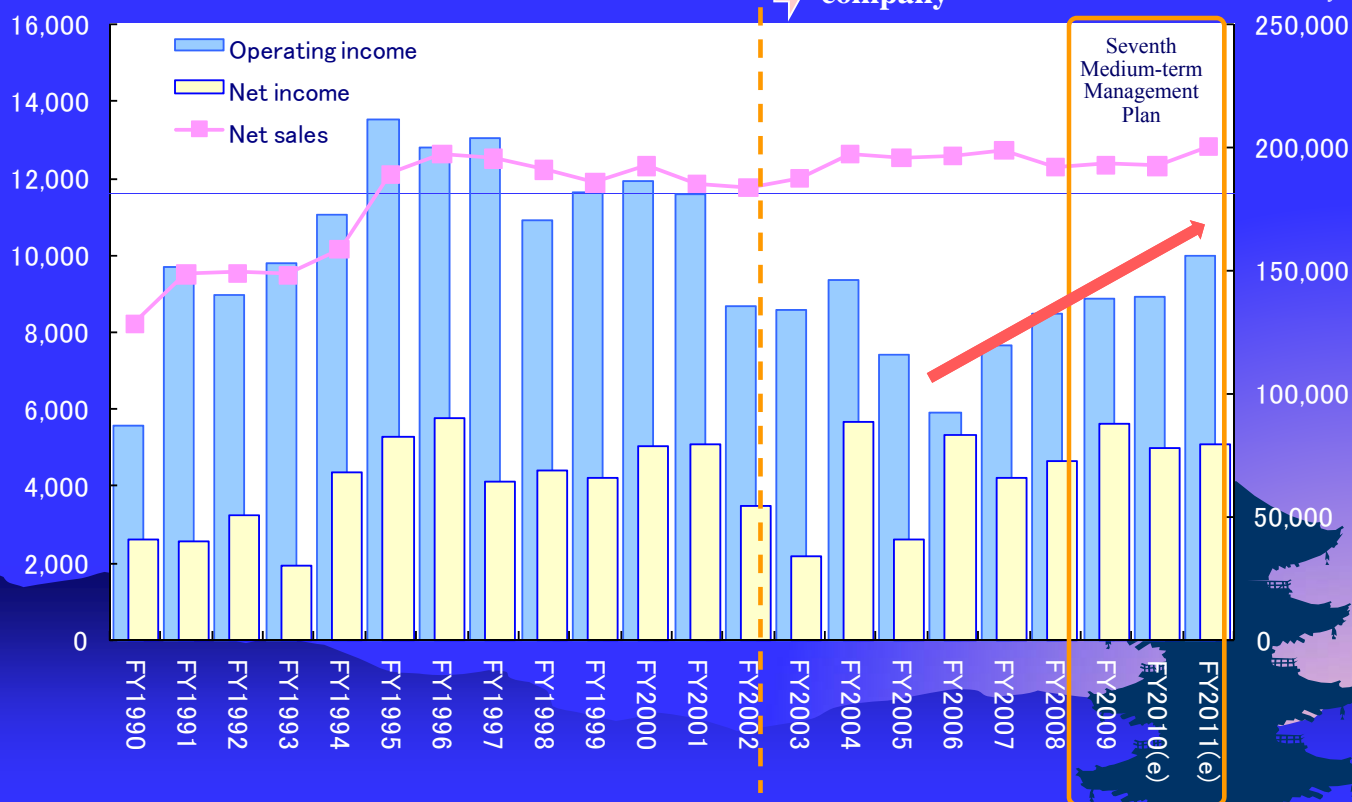
# Twenty-year Financial Summary

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Operating income, Net income  
(Millions of yen)

Move to the holding  
company

Net sales  
(Millions of yen)



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## Strong Core .

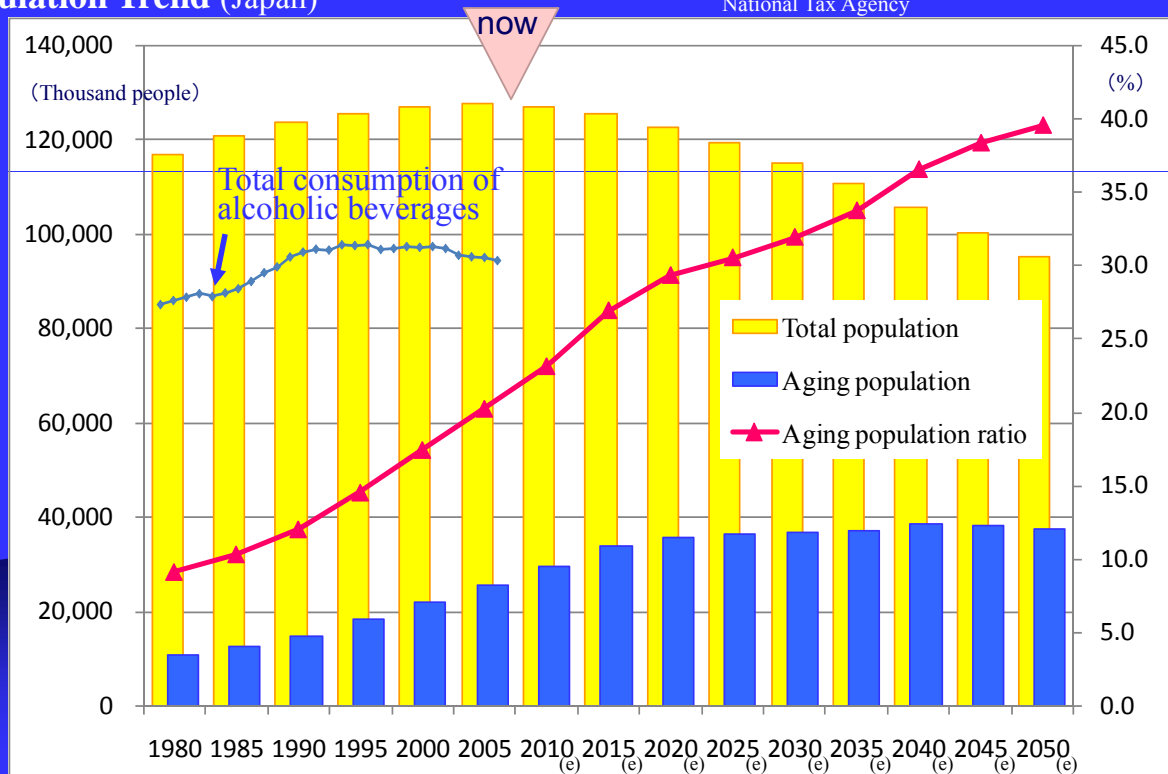
### II. Strategies of Alcoholic Beverages and Seasonings Business



## ▼ Low birthrate and aging population

### • Population Trend (Japan)

Source : The National Institute of Population and Social Security Research, National Tax Agency



## ▼ Current economic recession (the near-term situation)

- Consumers more budget conscious
- Increased consumer interest in low-end products



Demand is increasing for low-priced products.

## ▼ Steep increase in the cost of raw materials

### • CIF price of raw alcohol

Source : Trade Statistics, Japan Ministry of Finance



## Strengthen profitability Focus on growth business areas

- ① **Expand lineup of high-value-added products**  
(“Ikkomon,” “Shirashinken,” “Sho-chiku-bai Shirakabe-gura Kimoto Junmai,” etc.)
- ② **Strengthen brands of standard products for the mass-market**
- ③ **Pursue comprehensive profit management**
- ④ **Accelerate development of growth businesses**

## Strategies① Expan lineup of high-value-added products

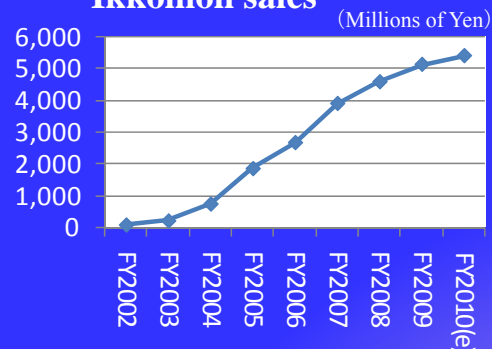
### ▼2001 “Ikkomon” ~ 100% pure sweet potato shochu ~



**Made from 100% sweet potato**

Shochu generally uses rice malts in production, as developing beverages with sweet potato is extremely difficult.

**Ikkomon sales**



### ▼2008

#### “Shirashinken”



~ *honkaku*  
barley shochu ~

The essential barley flavor and aroma are realized through a proprietary distillation method.

### ▼2008

#### “Sho-chiku-bai Shirakabe-gura Kimoto Junmai”



~ sake~

Brewed using the traditional kimoto technique, which has been used since Japan's Edo Period (1603-1867). Offers a smooth, soft flavor



### 1. Develop products for price-conscious consumers

2009: Strengthen lineup of small and medium sizes of  
“Gokujo Takara Shochu”



“Gokujō Takara Shochu”  
25% 900ml / 1.8L

### 2. Product lineup that responds to change in consumers demand during an economic recession

Reinforcing sales of products  
tailored to mass-retail channels



## Strategies③ Pursue comprehensive profit management

### 1. Continuous cost reduction ~ since FY2003 ~

To seek efficiency through the strict monitoring of production and management costs

### 2. Strict management of sales promotion expenditure ~ since FY2006 ~

To set up a system to allow sales staff to easily see cost vs. benefit analysis, etc. of sales promotions

## Strategies④ Accelerate development of growth businesses

### ▼ Expand overseas activities

- Top share in USA sake market  
Takara Sake USA Inc. is currently planning to invest in expanding its sake production capabilities to meet an expected increase in demand.
- In China, Takara Shuzo Foods Co., Ltd. produces and sells “Sho-Chiku-Bai” sake, mirin and shochu and as well as sells products imported from Japan.



“Sho-Chiku-Bai” sake  
(Takara Sake USA Inc.)

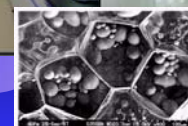
### ▼ Expanding seasonings businesses

Household  
market

+

Home-meal  
replacement market

- Establishment of the Seasoning Processing Business Division
- Construction of a technological assistance infrastructure
- Development of seasonings for food processing



Seasonings  
Customer Center

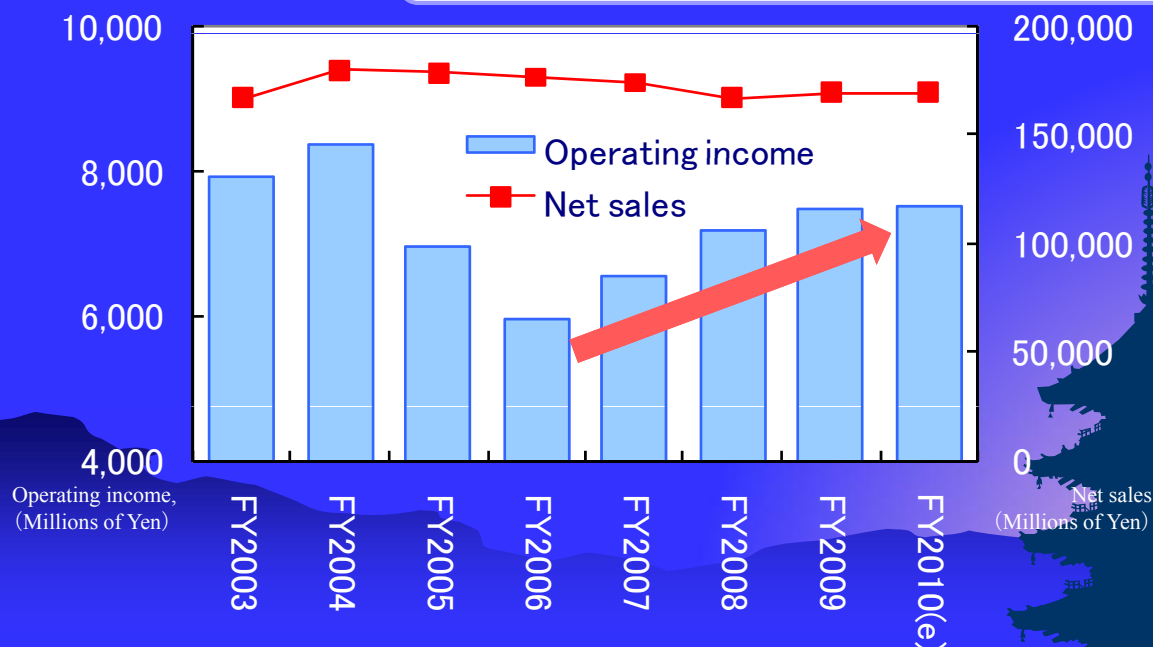
## ▼ Steady business performance in recent years

Takara Shuzo Group

**FY2010(e)** : forecast announced Nov. 5, 2009

Net sales : 169,300 million yen ( $\Delta 0.0\%$  y-o-y)

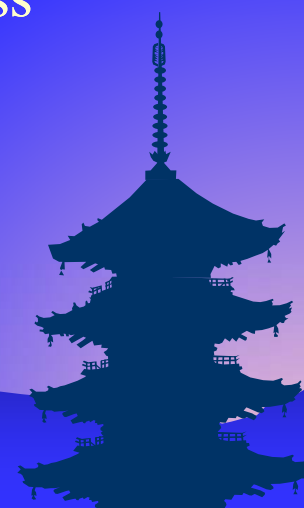
Operating income : 7,500 million yen ( $+0.5\%$  y-o-y)



## *Steady Growth .*

III. Strategies of Biomedical Business

IV. Strategies of Health Foods Business



## Pursuing research and development in gene medicine

- ① Strengthen profitability
- ② Out-license the RetroNectin® Method
- ③ Pursue clinical developments of gene and cell therapies etc.

### Basic Business Strategy

By investing the stable income generated by the Genetic engineering research and AgriBio segments into the Gene medicine segment, we intend to perfect gene medicine technologies and expand our future earnings.

1. Genetic engineering research segment : Stable income business
2. AgriBio segment : Secondary income business
3. Gene medicine segment : Future growth business

## Strategies ① Strengthen profitability

### 1. Acquired the Clontech unit of BD Biosciences in 2005

(M&A effect)

- Reduction in manufacturing costs of Clontech products (due to transferring the manufacture of Clontech products from the U.S. to Takara Biotechnology (Dalian).)

etc.

### 2. Take steps to improve revenues/profits in the Agribio business segment, such as transferring sales of health foods to Takara Healthcare Inc.

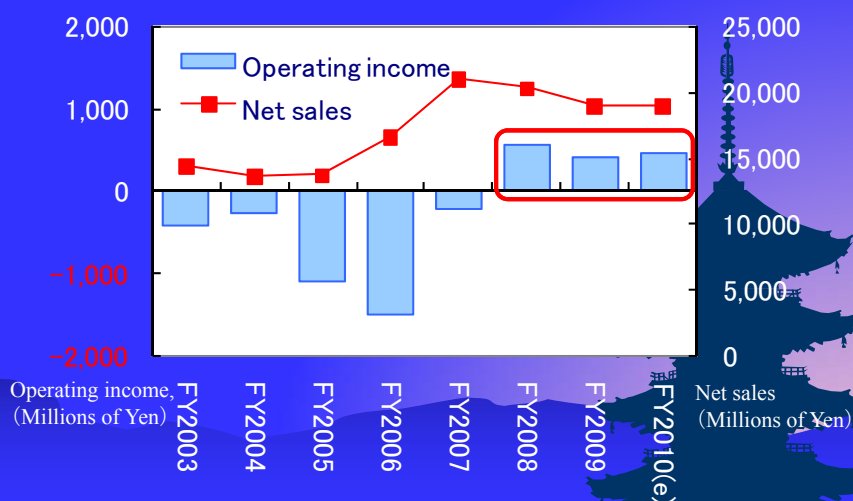
### ▼ Steady business performance in recent years

#### Takara Bio Group

**FY2010(e)** : forecast announced Jan. 29, 2010

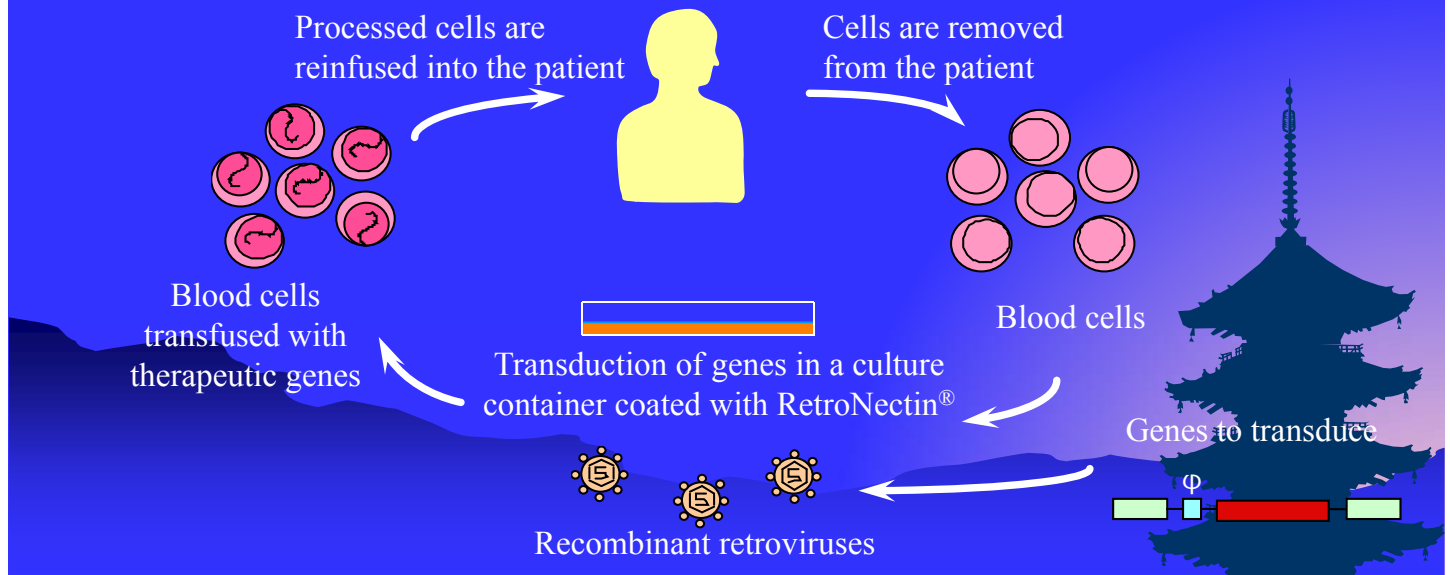
Net sales : 18,920 million yen (+0.0% y-o-y)

Operating income : 465 million yen (+9.0% y-o-y)



- ▼ Possess exclusive rights for worldwide use of RetroNectin® Method
- ▼ RetroNectin® Method is currently used by 46 public medical institutions, and licensed out to 4 private corporations over the world.

### • Gene Therapy Protocol Using the RetroNectin® Method



### ▼ Clinical development projects of the Takara Bio Group is working on

#### • Gene Therapy

	Target disease	Location	Business partner
HSV-TK gene therapy (donor lymphocyte gene transfer therapy)	Relapsed leukemia	Japan	The National Cancer Center Hospital
HSV-TK gene therapy (haplo add-back)	High-risk hematological malignancies	Japan	The National Cancer Center Hospital
TCR gene therapy	Esophageal cancer	Japan	School of Medicine, Mie University
MazF gene therapy	AIDS	Japan	The Tsukuba Primate Research Center, National Institute of Biomedical Innovation

#### • Cell Therapy

	Target disease	Location	Business partner
Cancer immunity reconstruction therapy	Multiple myeloma, head and neck cancers, esophageal cancer, ovarian cancer	Japan	School of Medicine, Mie University
Cancer immunotherapy	Digestive system cancer, lung cancer	Japan	Kyoto Prefectural University of Medicine
Cancer immunotherapy	Renal cancer	China	Cancer Institute and Hospital, Chinese Academy of Medical Science
Cancer immunotherapy	Refractory cancer	China	Tianjin Cancer Institute & Hospital, Tianjin Medical University
Cancer immunotherapy	Hepatocellular cancer	China	Sun Yat-Sen University Cancer Center

**Working hard to ensure that this will become our growth business of the future.**

Takara Bio's unique, cutting-edge technologies

+

Takara Shuzo's marketing and Sales know-how utilized by Takara Healthcare

Finding the function of traditional Asian foodstuffs



Kombu (kelp) "Fucoidan," a slimy substance found in Gagome kombu



Ashitaba "Chalcone"



## V. Financial Strategies (7<sup>th</sup> Medium-term Management Plan)

(FY2009~FY2011)

**We will maintain investment at normal levels in existing businesses, extend capital for investments geared toward growth and actively work to generate returns for investors.**

Growth investments:  
Cumulative outlays exceeding

**10** billion yen over the three years.

Total shareholder return:  
Generate aggregate returns of more than

**10** billion yen over the three years.  
(double current levels)

Shareholder return payout:  
Minimum of

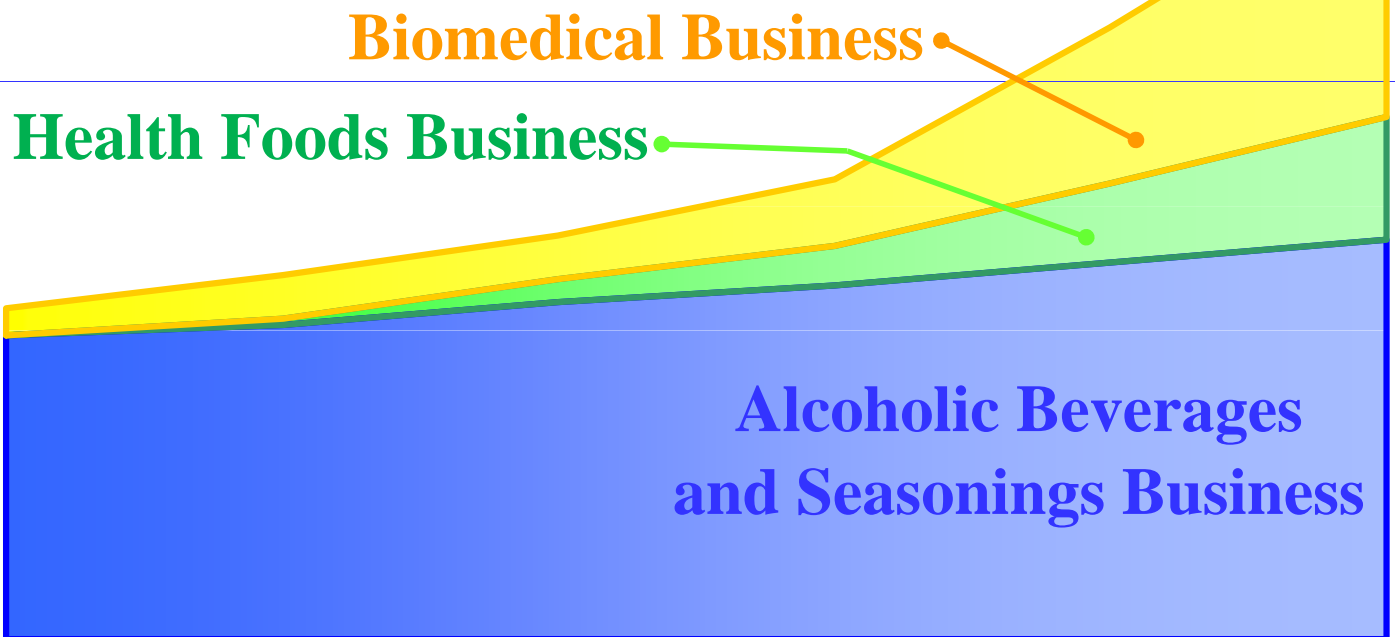
**50** %<sup>\*1</sup>

\*1 Calculated as follows:  
Total shareholder return =  $\frac{(\text{Total dividends} + \text{Amount of share buybacks})}{\text{Deemed consolidated net income}^{*2}} \geq 50\%$

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



## Strong Core, Steady Growth



## 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.