

Financial Results for FY2020 Ended March 31, 2021

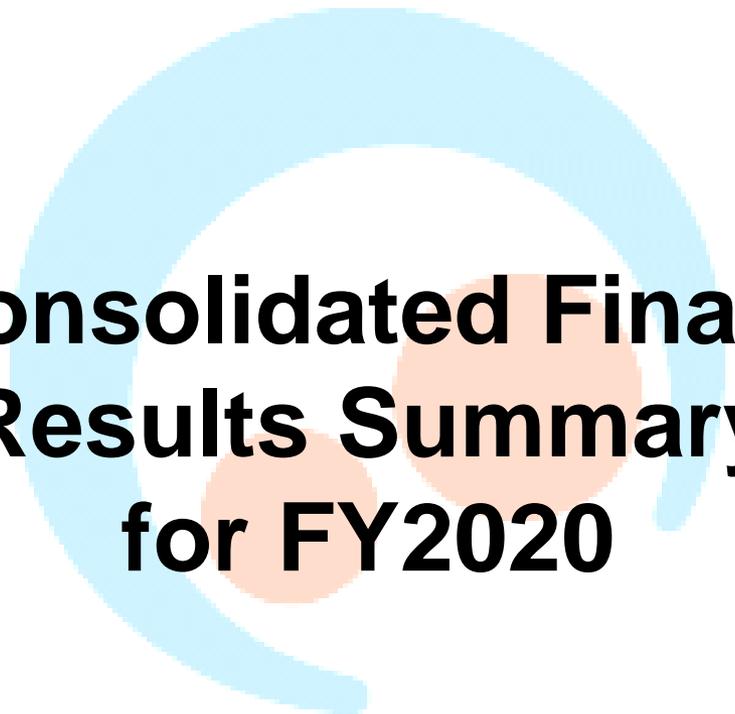


~ For Healthy and Affluent Lives of People Around The World ~
<http://www.transgenic.co.jp>

May 26, 2021
TRANS GENIC INC.

Note: This material includes forward-looking statements based on assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties. Actual financial results may differ materially depending on a number of factors including adverse economic conditions, delays in new product launch, pricing and product initiatives of competitors, the inability of the company to market existing and new product effectively.

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- A decorative horizontal line with seven colored dots (blue, blue, blue, orange, blue, blue, blue) on the left side, extending across the top of the page.
- I . Consolidated Financial Results Summary for FY2020**
 - II . Consolidated Business Forecast for FY2021**
 - III . About TransGenic Group**
 - IV . Current Status of Research and Development**



I . Consolidated Financial Results Summary for FY2020

Consolidated Financial Results Highlight of FY2020

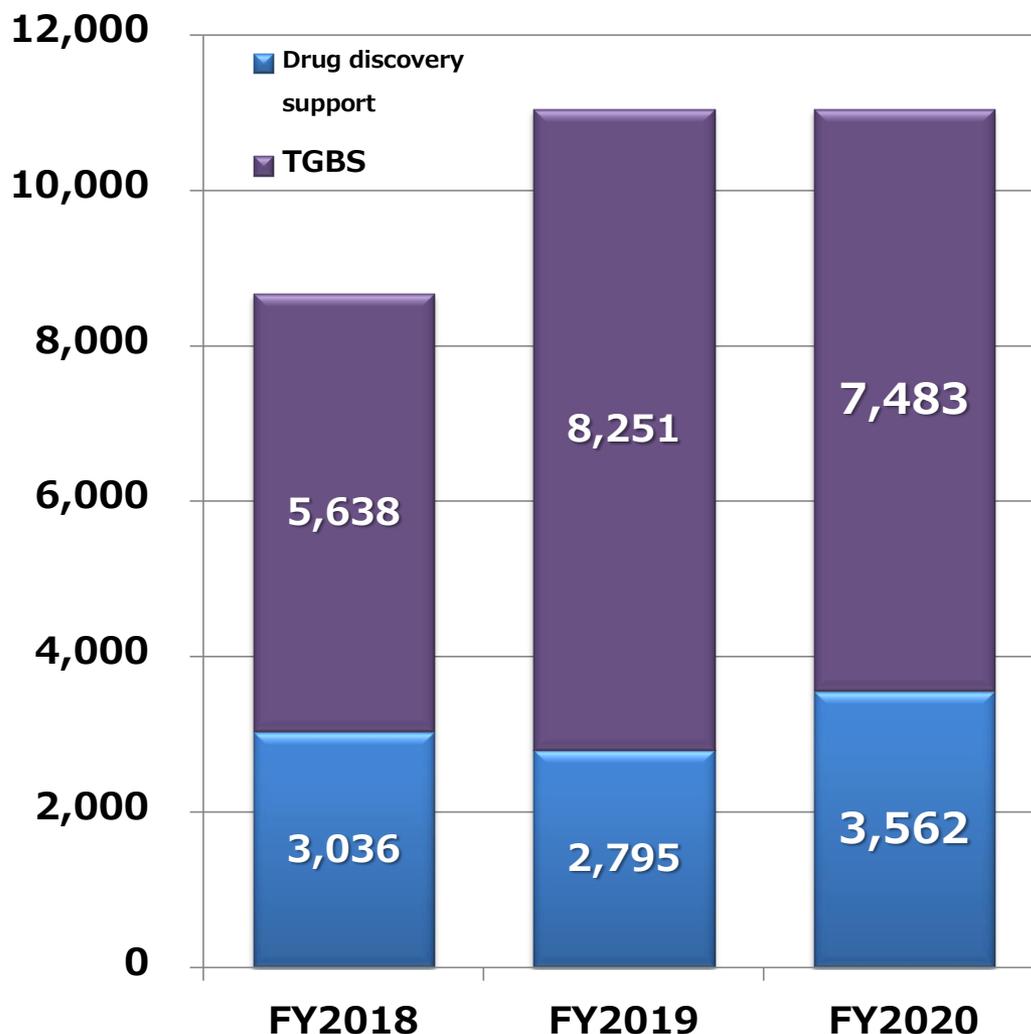


- ◆ Consolidated sales amount totaled 11,046 million yen (almost the same as FY2019), but gross operating income increased to 2,777 million yen (up 997 million yen) due to increased gross profit in drug discovery support business and E-Commerce business.
- ◆ Consolidated operating profit reached a record high of 893 million yen owing to drastic increase in gross operating income.
- ◆ Consequently, consolidated recurring profit and net profit also rose to record high.

(million yen)	FY2019	FY2020	Change
Net sales	11,046	11,046	0
Cost of sales	9,266	8,269	(997)
Gross operating income	1,779	2,777	997
SG&A expenses (R&D expenses)	1,605	1,883	277
Operating profit	173	893	719
Recurring profit	94	891	796
Net profit attributable to shareholders of parent company	▲440	546	987

Change of consolidated sales amount

(million yen)



Consolidated sales amount totaled 11,046 million yen (almost the same as FY2019)

- TGBS business was struggled because of the COVID-19 pandemic, but drug discovery support business did well owing to PCR testing service.

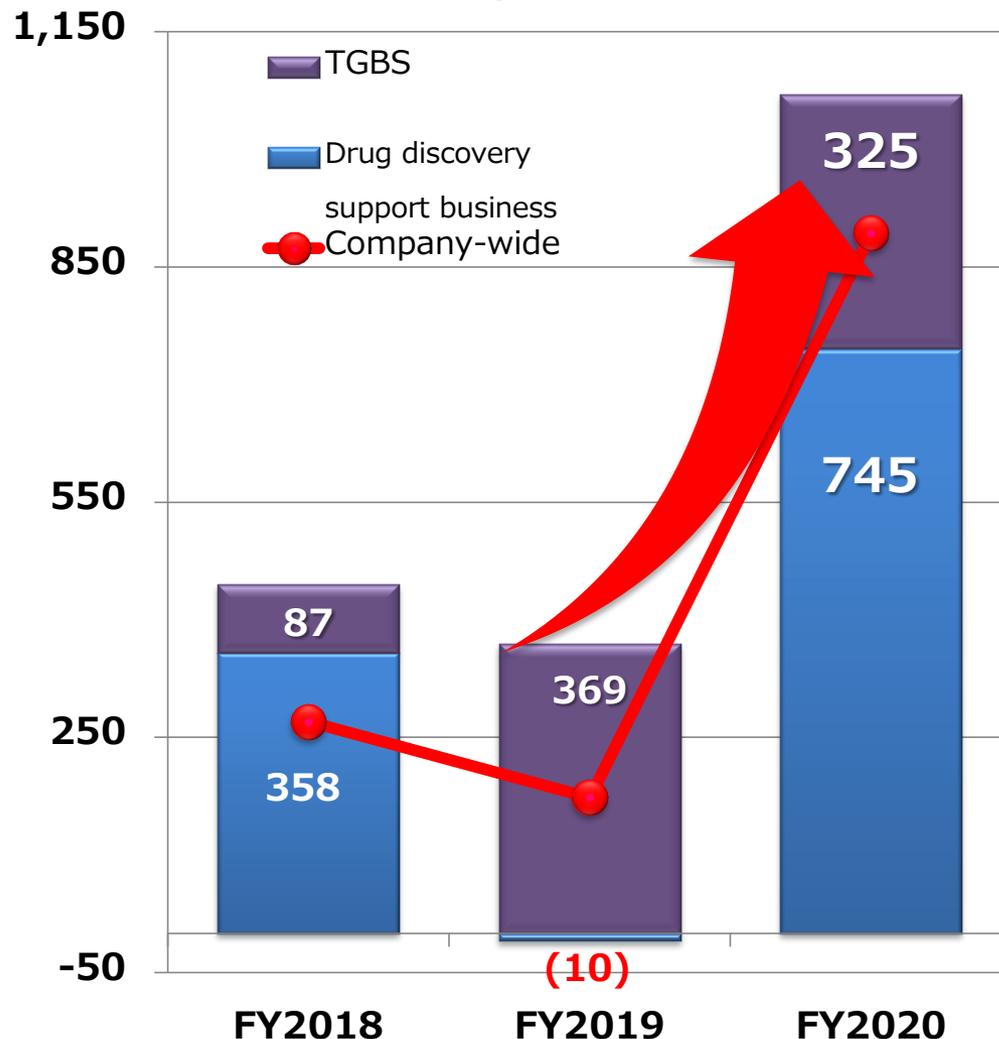
Company-wide sales amount resulted in almost the same level as FY2019.

※ "CRO business" and "Diagnosis/analysis business" are merged into "Drug discovery support business" starting from FY2020.

※Internal sales are eliminated from sales amount of each segment.

Change of consolidated operating profit/loss

(million yen)



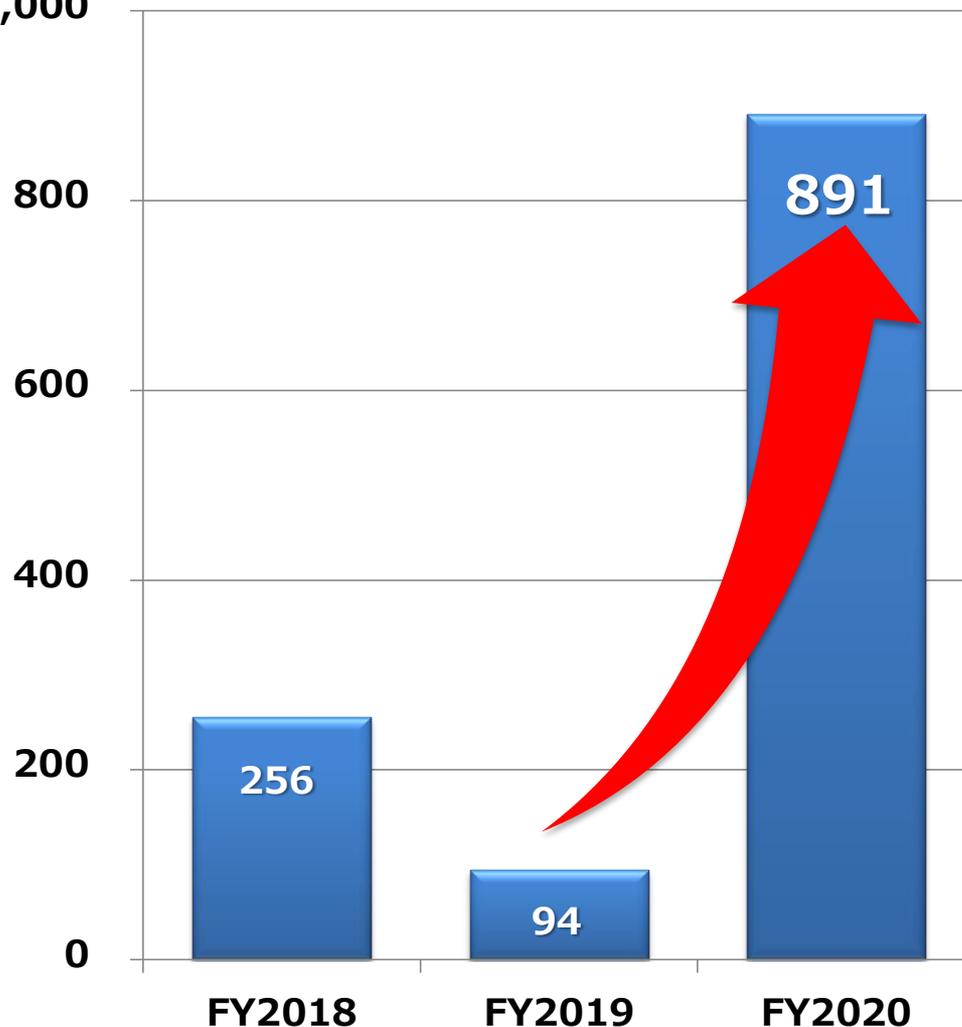
Consolidated operating profit reached a record high of 893 million yen (up 719 million yen from FY2019)

- Operating profit of drug discovery support business totaled 745 million yen (maximum in the past, up 755 million yen from FY2019) owing to PCR testing service.
- Operating profit of TGBS business totaled 325 million yen (slight decrease from FY2019). Import and sales business was struggled due to COVID-19 pandemic, but profit in EC business increased on stay-at-home demand.

Change of consolidated recurring profit

(million yen)

1,000



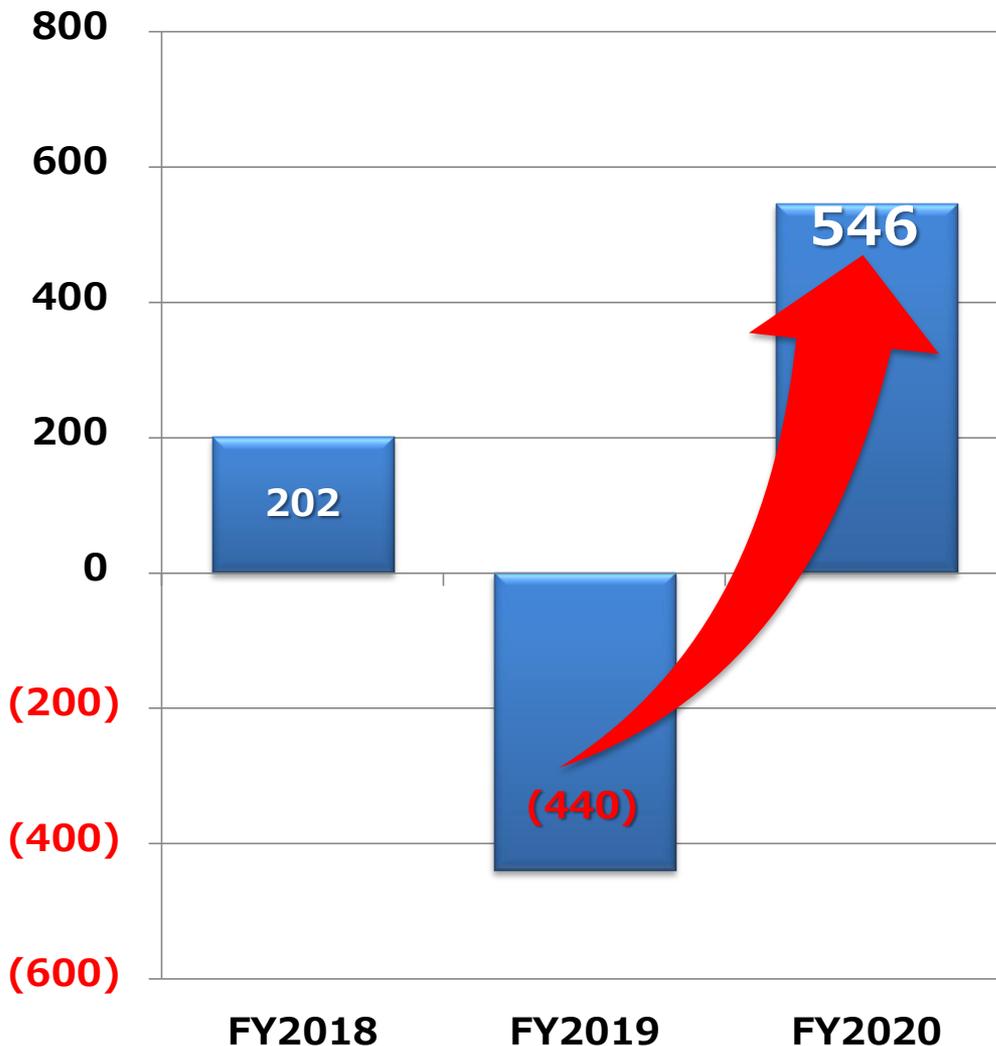
Consolidated recurring profit totaled 891 million yen (the highest-ever level, up 796 million yen from FY2019) in association with drastic increase of operating profit.

Consolidated Financial Results of FY2020:

Net profit attributable to shareholders of parent company

Change of net profit attributable to shareholders of parent company

(million yen)

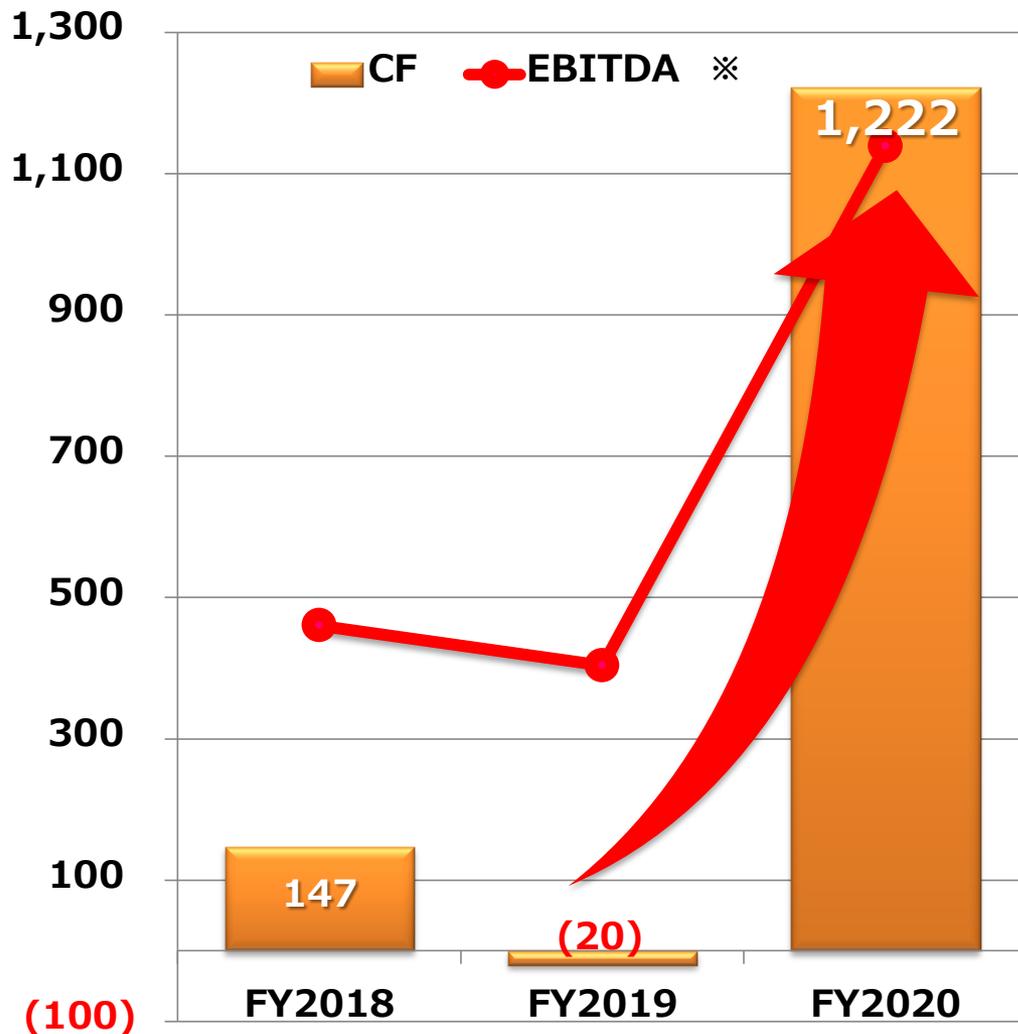


Net profit attributable to shareholders of parent company showed a V-shaped recovery (all-time high of 546 million yen, up 987 million yen from FY2019 in the red)

Consolidated Financial Results of FY2020 :
Cash Flow from Operating Activities (CFO)

Change of CFO

(million yen)



Consolidated CFO climbed to all-time high of 1,222 million yen (up 1,243 million yen from FY2019) due to significant increase in operating profit and net profit.

※EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)
 =(Operating profit)+(Depreciation and amortization)+(Amortization of goodwill)

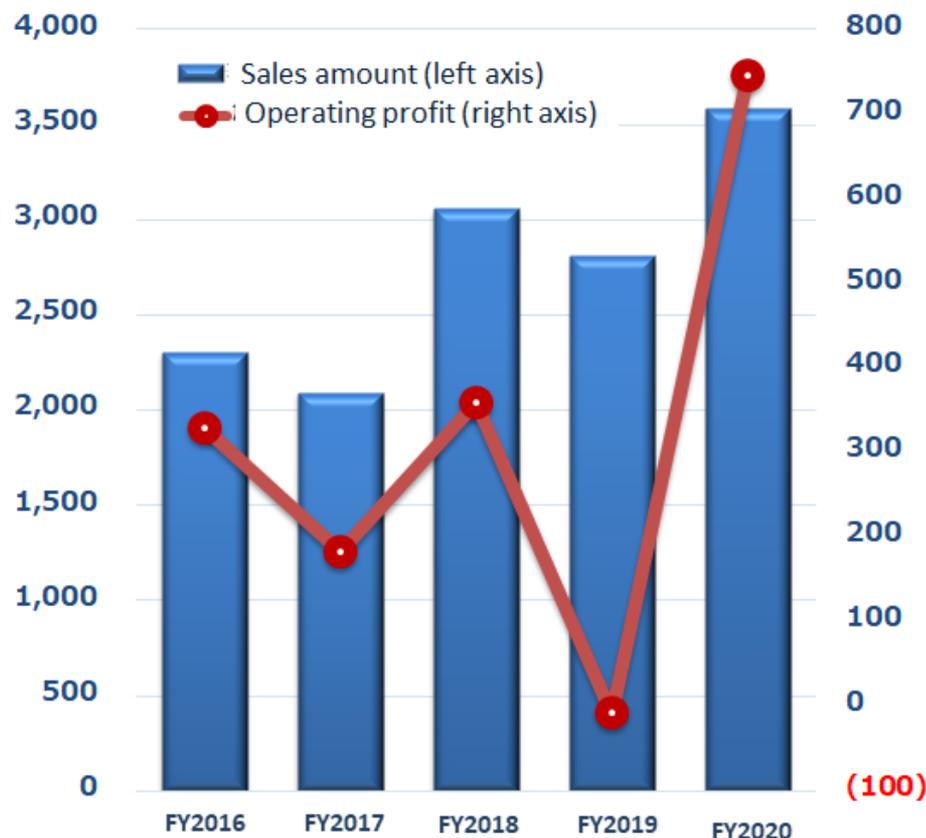
(100)

Performance summary: Drug Discovery Support Business

(change in 5 years)

Sales amount increased to 3583 million yen (1.5 times), operating profit increased to 745 million yen (more than double) in 4 years

(million yen)

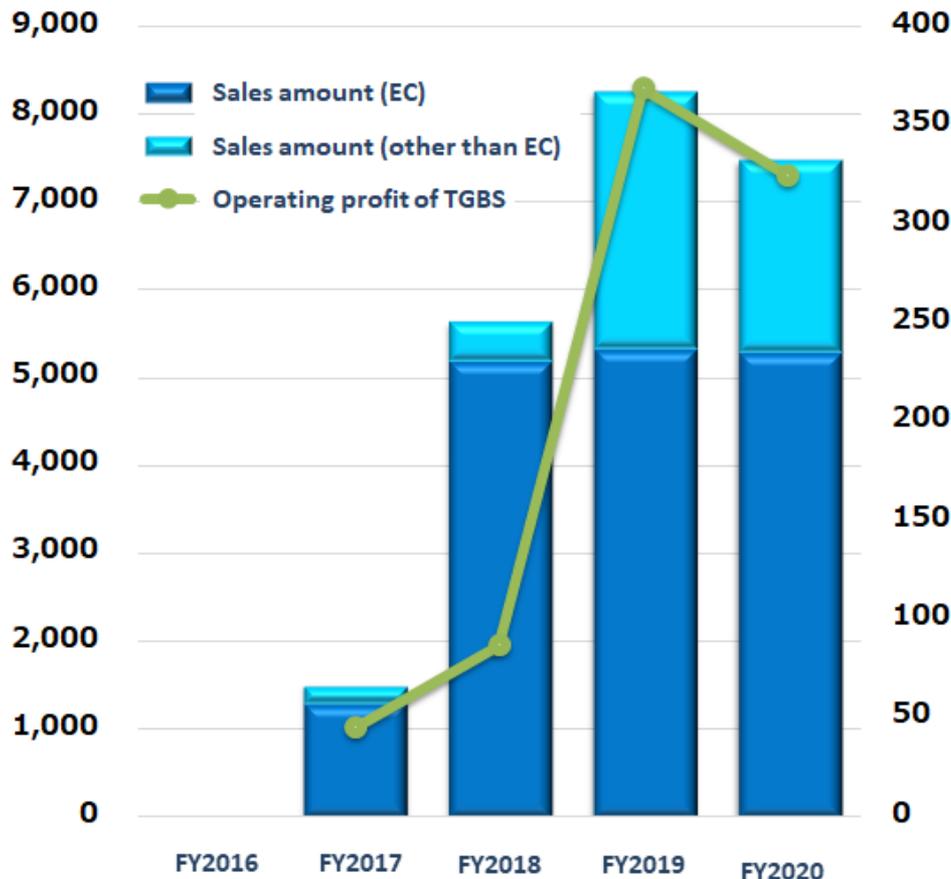


- Sales amount and operating profit are growing consistently despite ups and downs
- Owing to PCR testing, operating profit of FY2020 resulted in 745 million yen, more than double of FY2018
- Contract genetically modified mouse production service was transferred to BSRC, and antibody-related business was transferred to MCP on April 1, 2021 in order to generating new business and synergistic effects

Performance summary: TGBS business (change in 4 years)

TGBS business grew with sales amount of 7000 ~ 8000 million yen and operating profit of more than 300 million yen in 4 years

(million yen)



- Both sales amount and operating profit grew consistently since the business commencement
- Investment return is emphasized as an index. Total investment amount in 4 years was 1.43 billion yen, accumulated amount of operating profit before goodwill amortization was 1.02 billion yen.
- Although sales of business other than E-commerce decreased by the impact of COVID-19, sales of high-margin E-commerce business was healthy on stay-at-home demand. As a result, the revenue of TGBS business in FY2020 totaled 325 million yen (slight decrease from FY2019).



II. Consolidated Business Forecast for FY2021

Consolidated Business Forecast for FY2021

- Sales and profit are expected to increase in the light of strong performance of drug discovery support business
- Tax burden including corporate tax will increase as loss carried forward was eliminated on March 2021, therefore increase of net profit is given a lower estimate than operating profit

unit : million yen	FY2021 (forecast)	FY2020 (result)	Change	
			Balance amount	%
Sales amount	12,000	11,046	953	8.6%
Drug discovery support business	4,300	3,583	716	20.0%
TGBS business	7,700	7,486	213	2.9%
E-commerce	5,000	5,283	(283)	(5.4%)
Others	2,700	2,202	497	22.6%
Consolidated adjustment	-	(23)	23	-
Operating expenses	10,800	10,152	647	6.4%
Operating profit	1,200	893	306	34.3%
Recurring profit	1,100	891	208	23.3%
Net profit attributable to shareholders of parent company	600	546	53	9.8%

Consolidated Business Forecast for FY2021: by Business Segment

- PCR testing service in drug discovery support business is anticipated to lead consolidated operating profit of FY2021
- If COVID-19 continues to spread, general consumption and capital spending plan of companies are presumed to shrink, but TGBS business is anticipated to maintain the profitability

(Unit: million yen)

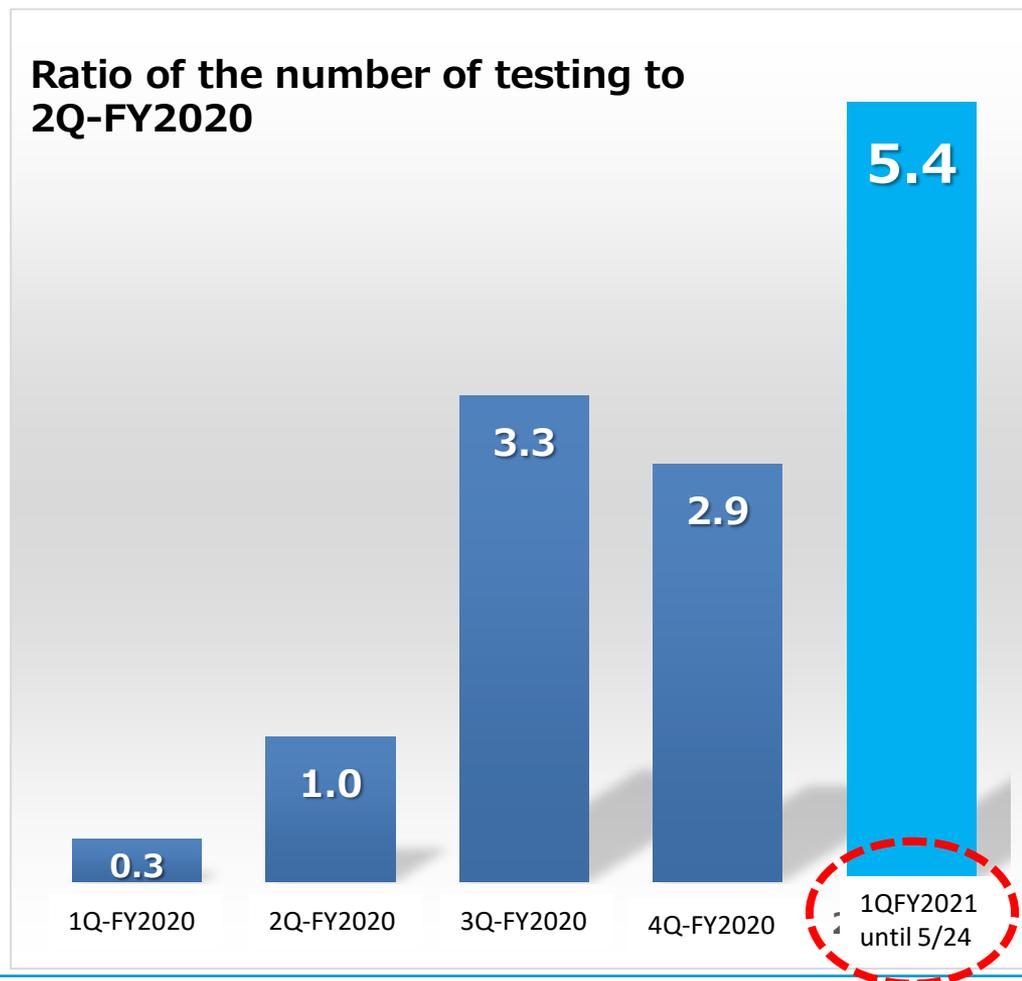
Business segments	FY2021 (forecast)		FY2020 (result)		Change	
	Sales amount	Operating profit	Sales amount	Operating profit	Sales amount	Operating profit
Drug discovery support business	4,300	1,055	3,583	745	716	309
TGBS business	7,700	315	7,486	325	213	(10)
E-commerce	5,000	215	5,283	234	(283)	(19)
Others	2,700	100	2,202	91	497	8
Consolidated adjustment	-	(170)	(23)	(177)	23	7
Total	12,000	1,200	11,046	893	953	306

Consolidated Business Forecast for FY2021

PCR testing Service for COVID-19

- Number of COVID-19 positive in Hokkaido was on the decrease in January and February, 2021, but after that, the number is increasing especially from the end of April.
- Accordingly, number of PCR testing in GeneticLab is increasing, and the number from 4/1/2021 to 5/24/2021 is already larger than in third quarter of FY2020.

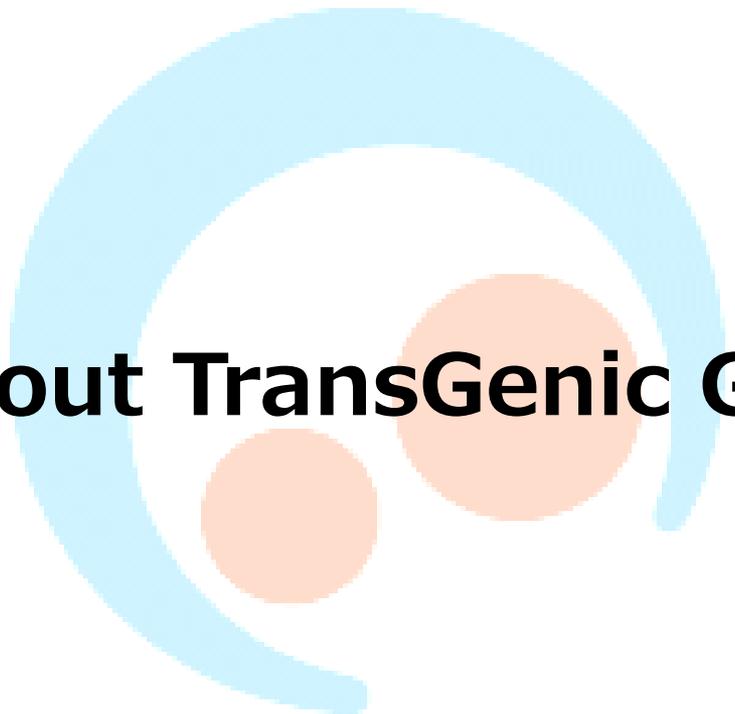
Ratio of the number of testing to
2Q-FY2020



- Additional PCR testing equipment is decided to install in order to enhance examination capability.



- Business forecast for 1Q-FY2021 is determined by reference to most recent testing number, and testing after July is estimated conservatively.



III. About TransGenic Group

Business Summary of TransGenic Group

TransGenic Group will achieve sustained growth by hybrid-type business consisting of “Drug discovery support business” providing seamless support including basic research, clinical studies, and diagnosis based on leading-edge biotechnology, and “TGBS business” conducting consulting and M&A targeted at a wide range of business field.

【Organizational chart】

TransGenic Inc. : became pure holding company in April 1, 2021

Drug discovery support business



- Providing seamless support encompassing basic exploratory research, drug discovery, non-clinical/clinical study and diagnosis
- Having leading-edge technology such as genome editing, synthesis/analysis of sugar chain

- ◆ Business is profitable, however business results tend to have ups and downs. Business can be expanded by improvement of existing business or launching new business.
- ◆ Business expansion requires lots of prior investment in both human resources and facilities as well as technological development.

TGBS business (investment / consulting)



- Handling luxury tableware, general merchandise and home electronics at e-commerce
- Importing glass processing-related devices/consumables and computer security-related equipment, and selling them to domestic major companies
- Consulting on business succession

- ◆ Sales and profit rate are stable unless external environment changes rapidly. Business can expand by M&A (mainly business succession).
- ◆ Prior investment is not necessary for business expansion except funds for M&A.

Progress Report of Management Reform

- Management reform of TransGenic Group has been moved forward with a phased approach (by 4 years)
- Next stage (Stage IV) will also be implemented for 4 years (FY2021 to FY2024)

Reference (previous reform goals and results)

(Unit: million yen)

Stage	Period	Goal of reform	Results			
I	FY2009 to FY2012 (4 fiscal years)	<ul style="list-style-type: none"> • Restructuring the business depended mainly on contract genetically modified mouse production service • Improvement of earning structure 		Before reform Mar.2009	After reform Mar.2013	Comment
			Sales amount	324	704	Doubled
			Operating profit	(624)	(36)	Improved significantly
II	FY2013 to FY2016 (4 fiscal years)	<ul style="list-style-type: none"> • Linkage and construction of drug discovery support business using M&A • Keeping the business in the black 		Before reform Mar. 2013	After reform Mar. 2017	Comment
			Sales amount	704	2,302	About threefold
			Operating profit	(36)	153	Moved into profit
III	FY2017 to FY2020 (4 fiscal years)	<ul style="list-style-type: none"> • Commencement of TGBS business for the diversification of earning structure without solely dependence on drug discovery support business • Enhancement and expansion of revenue base 		Before reform Mar. 2017	After reform Mar. 2021	Comment
			Sales amount	2,302	11,046	About fivefold
			Operating profit	153	893	About sixfold

Positioning of Next Four Years (FY2021~2024)

TransGenic Inc. became pure holding company on April 1, 2021.

Under the new management structure, we define next four years as the term to implement priority measures consistently to reinforce business foundation necessary for the enhancement of corporate value (realization of corporate philosophy)

Vision
Corporate philosophy

To strive toward future development as well as healthy and affluent lives for people around the world



Implementation

FY2021-2024

Acceleration
FY2025-2028

- ◆ Acceleration of expanded reinvestment
- ◆ Improvement of payout ratio and flexible acquisition of own share

Following measures will be given priority in order to reinforce business foundation

- Capital investment (drug discovery support business)
- Construction of highly profitable entity (drug discovery support business)
- Promotion of TGBS business (M&A)

Design

FY2017-2020

- ◆ Enhancement and stabilization of earning structure without depending solely on drug discovery support business

Priority measures to Reinforce Business Foundation

◆ Capital investment (drug discovery support business)

✓ About 150 million yen for PCR testing devices in order to enhance COVID-19 testing capability

✓ About 200 million yen for LCMS device to enhance non-clinical testing service, CT apparatus and EEG measurement equipment for animals for commencement of new testing service, and equipment for respiratory and circulatory system to evaluate COVID-19 medication



◆ Construction of highly profitable business entity (drug discovery support business)

✓ Promoting internal reorganization (see page 20 and 21)

✓ Promoting research and development

Capital investment and R&D investment will be increased associated with increased consolidated business revenue



◆ Promotion of TGBS business (M&A)

✓ Business will be extended by promoting M&A according to investment principle for more stable revenue base (see page 22)



TGBS business is expanding consistently in tandem with investment recovery. M&A will be promoted using bank loan as financial resource in the context of strong business performance.

Transfer of Genetic Modified Mouse Business to BSRC

Development of high-value added service by internal reorganization in order to construct highly profitable entity

(Until FY2020)

(From FY2021)

 TransGenic Inc.



Selling Tg mouse (Muta mouse)


BioSafety Research Center



Contract Genotoxicity test
(No.1 domestic market share)

Pharmaceutical/
chemical/food
companies

Mainly
contract
production
service

business
integration

Severe
price
competition


BioSafety Research Center



Enhancing
development/
supply
business



Development/supply of Muta mouse · mouse model of
diseases · humanized mouse



Development
of High-value
added testing

Contract genotoxicity test/ pharmacological
effectiveness test/ safety test

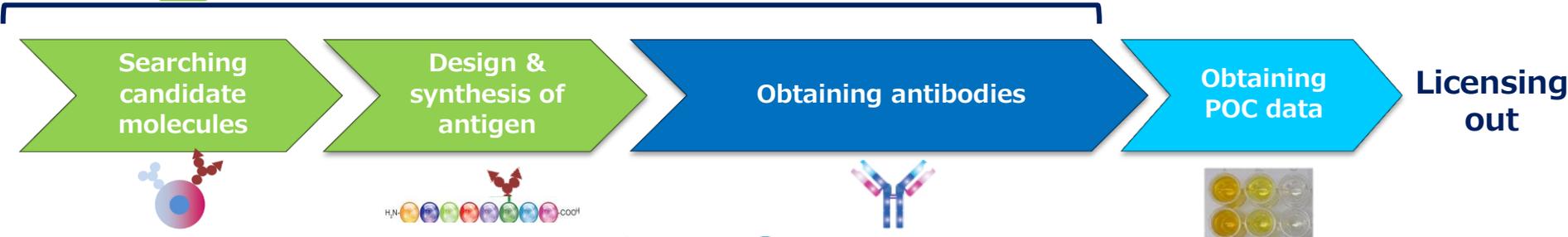
Pharmaceutical/chemical/
food companies

Priority measures to Reinforce Business Foundation : Construction of Highly Profitable Business Entity

Transfer of Antibody Business to Medicinal Chemistry Pharmaceutical Co., Ltd. TransGenic Inc.

Strengthening and accelerating the development/discovery of antibody drug by internal reorganization in order to construct highly profitable entity

 Medicinal Chemistry Pharmaceutical Co., Ltd. after reorganization

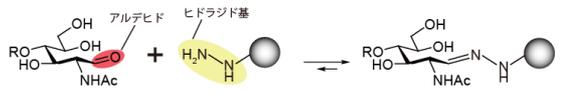


 Medicinal Chemistry Pharmaceutical Co., Ltd. *Before reorganization*

Before reorganization  TransGenic Inc.

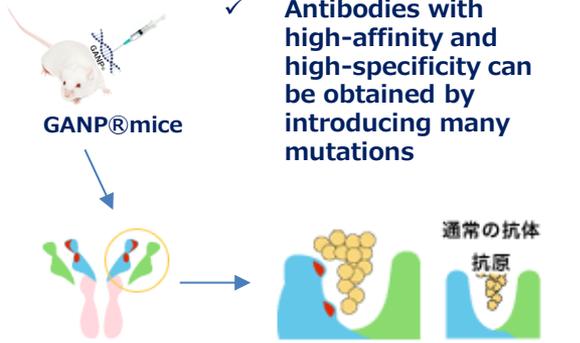
(Strong field : Antigen Production)

- ◆ Determination of disease-specific candidate molecule by glycoblotting method
 - ✓ Capturing sugar chain selectively
 - ✓ Identifying disease-specific sugar chain antigen
- ◆ Design & synthesis of glycopeptide antigen
 - ✓ Synthesizing sugar chain and glycopeptide freely
 - ✓ Possessing glycoamino acid library
 - ✓ Established unique immunization protocol




(Strong field : Antibody production)

- ◆ Obtaining high-affinity antibody using GANP® mice
 - ✓ Antibodies with high-affinity and high-specificity can be obtained by introducing many mutations

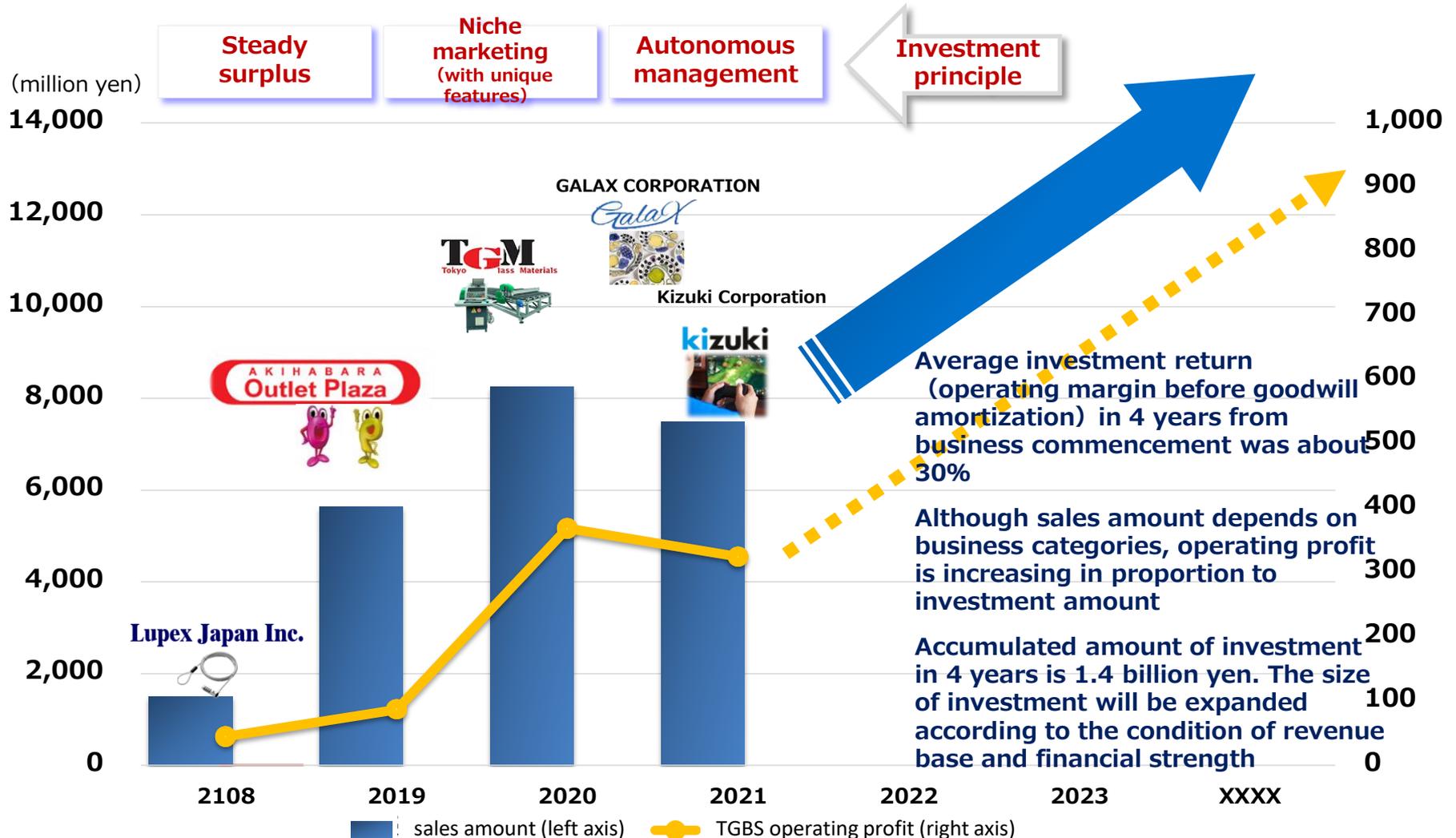


↑
By group companies



Integrating key technologies by internal reorganization

Investment for TGBS business (M&A) will be promoted responding to operating revenue according to investment principle

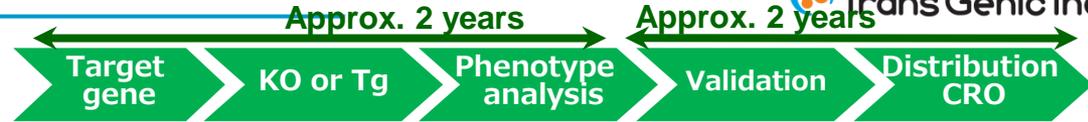




IV. Current Status of Research and Development

Introduction and Development Status of Mouse Model Strains

Development of mouse model strains
 *In-house Development or Technological introduction from external research institutions



Pathological condition indicator mouse

ER stress indicator mouse	RIKEN	Mouse on sale
Oxidation stress indicator mouse	Gunma Univ.	Mouse on sale
Inflammation indicator mouse	Gunma Univ.	Patent granted in Japan and Europe Mouse on sale
Integrated stress response indicator mouse	Kanazawa Medical Univ.	Mouse on sale

Mouse model of central nervous system diseases

Mouse model of Alzheimer's disease	Osaka City Univ.	Available for contract service
Mouse model of dementia	Behavioral and Medical Sciences Research Consortium	Available for contract service
BDNF (brain-derived neurotrophic factor) gene engineered mouse	AIST	Available for contract service Getting ready for distribution

Mouse model of metabolic syndrome

Mouse model of NASH	Univ. of Tokyo	Available for contract service
Mouse model of obesity suppressing	TRANS GENIC	Mouse on sale

Introduction and Development Status of Mouse Model Strains

Development of mouse model strains
 *In-house Development or Technological introduction from external research institutions



Humanized mouse

- Mouse model with humanized liver: Kumamoto Univ. TRANS GENIC → Technology transfer ongoing
- Mouse model with humanized exon: TRANS GENIC → International patent pending Available for contract service
- Mouse model with humanized ACE2 (for COVID-19 research): TRANS GENIC →

Mouse model of diseases

- Mouse model with Clock mutant (eveningness): AIST → Mouse on sale
- Mouse model of atopic dermatitis: Hyogo College of Medicine Mie Univ. → Available for contract service Mouse on sale

Mouse model for mutation detection

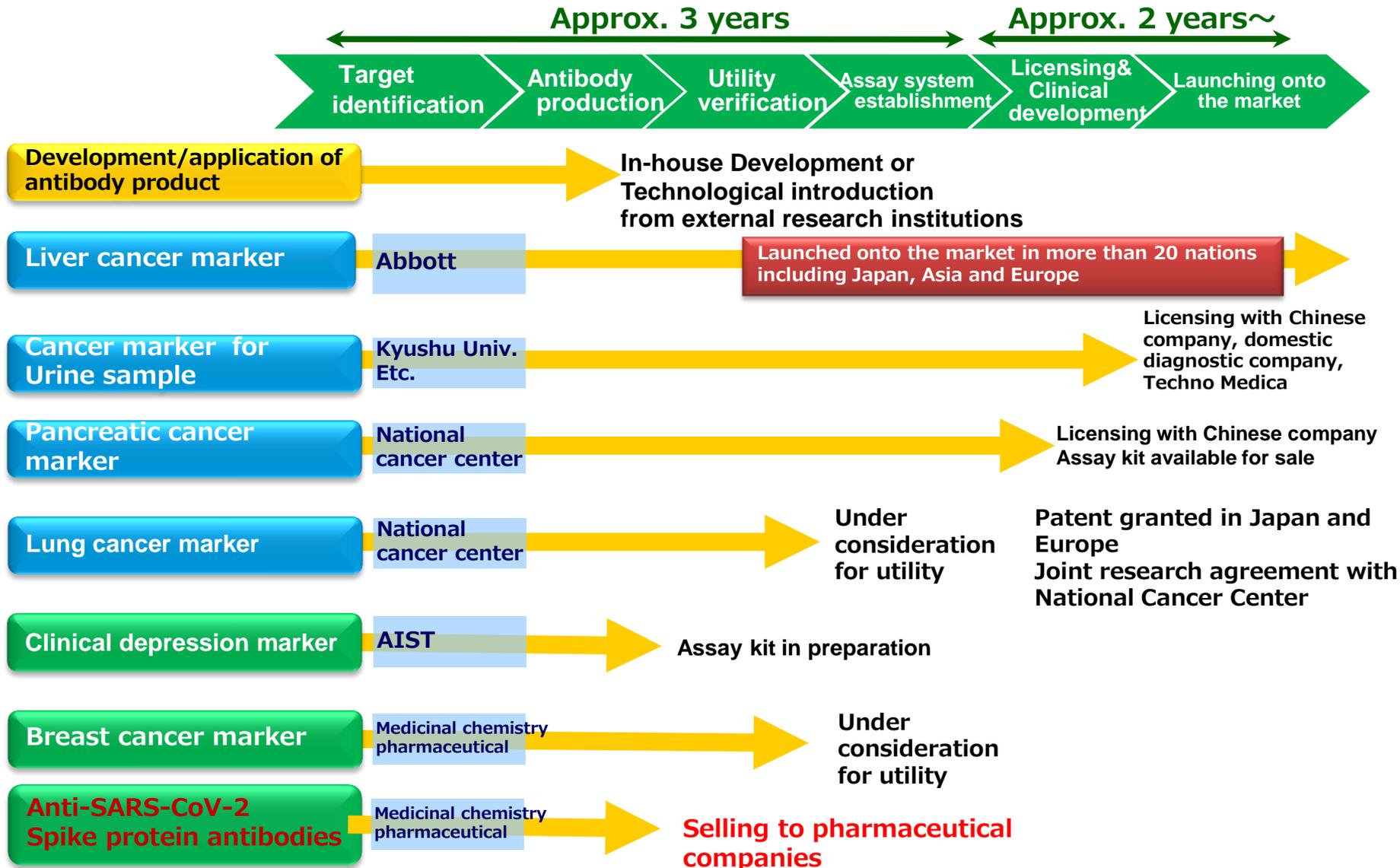
- Muta mouse: Japan Laboratory Animals Inc. → Available for contract service* (genotoxicity test) ※BSRC

Mouse model for cancer transplantation

- Mutant GFP/ Mutant Luc mouse: Kyoto Univ. → Mouse on sale

Mouse model carrying marker gene

- Mouse expressing red fluorescent protein: TRANS GENIC → Mouse on sale

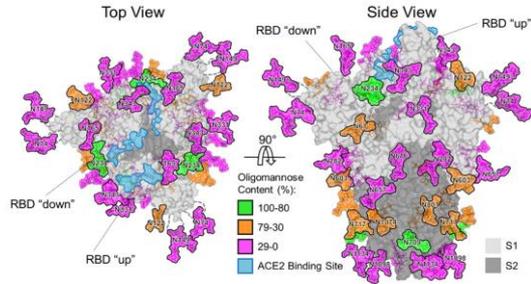


◆ Overview of the development of anti-SARS-CoV-2 spike protein* antibodies

We succeeded in obtaining antibodies binding to “glycosylation site” of spike protein on the surface of novel coronavirus, and are selling them to pharmaceutical companies.

We are aimed at developing rapid test kit using immunochromatographic method and therapeutic agent.

※ SARS-CoV-2 spike protein



- Binding to ACE2 to invade host
- Modified by many sugar chains (N-linked)
- Thwarting human immunological system by sugar chains
- Antigenic site is protected by sugar chains
=Glycan Shield
- Glycosylation site is less likely to mutate

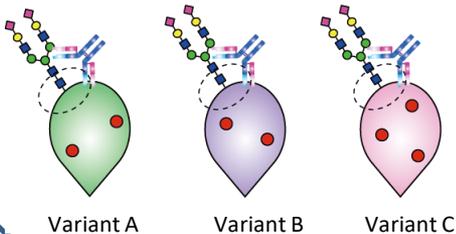
“Universal antibodies” utilizing glycoprotein antigens



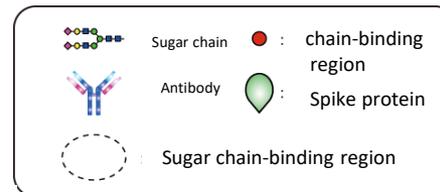
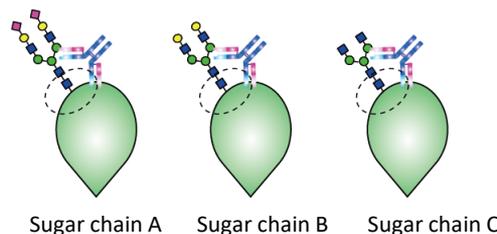
Antigen : Targeting the region containing sugar chain which is less likely to mutate
 → Designing & synthesizing glycopeptide as antigen based upon the experience and know-how

Features of antibodies : ① Recognizing both sugar chain and protein as epitope
 ② Binding if sugar chain structure is different (universal antibodies)

Binding to variants as well



Binding if sugar chain is different





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