Healthcare

Strategy: Achieve steady growth in the existing diagnostics business and become a frontrunner in forming industry alliances (including M&A)

Message from the Division Head

Taro Inada

Executive Officer
Head of Life Innovation Division

As the division responsible for Healthcare, one of our priority areas, we will rebuild our earning power in a rapidly changing business environment by continuing to implement necessary reforms while respecting our past successes. As highlighted in the special feature, we recently welcomed KAINOS Laboratories, Inc. into our Group. We will not only enhance synergies between the two companies to drive growth, but also promote collaboration among companies with technological expertise in Japan's in vitro diagnostics industry. We believe that such collaboration will strengthen the international competitiveness of Japan's high-quality in vitro diagnostic products. At the same time, we will strengthen our own overseas diagnostic agents business. One of our strategic pillars is to achieve steady growth in the diagnostic agents business as a foundation for becoming a frontrunner in forming industry alliances. We will move forward decisively to implement reforms without changing our core commitment to improving the quality of life of people worldwide, and will continue striving to be a business group that delivers high-quality products quickly.

Strategies for Achieving the Goals of the Management Plan "Mission 2030" (Strategies toward 100% "Three-Star Businesses")

Strategic areas and markets	[Key Products]	[Phase 1 Results]	[Phase 2 Plan]	[Division Goals for FY2030]
Prevention	● Influenza vaccines	● Began operation of a new facility for the manufacturing of undiluted influenza vaccines to ensure the early and stable supply of influenza vaccines in 2022 ● Improved supply stability by strengthening the production system ● Expanded market share despite a shrinking domestic market caused by changes in the market environment, including reduced vaccine uptake following the COVID-19 pandemic	● Position existing vaccines as a core business and increase market share and shipment volumes through earlier shipments and stronger distribution strategies ● Optimize costs and improve profitability through optimal production, higher capacity utilization, and greater automation ● Continue strengthening fundamental technologies of vaccine production and promote new vaccine development	● Establish a system for the early and stable supply of existing vaccines ● Develop new vaccines with demonstrated efficacy and safety to build a sustainable foundation for the vaccine business
Diagnosis	● Rapid Antigen Test Kits / Clinical diagnostic reagents	● Added new production facilities at the Gosen Plant to meet growing demand for Rapid Antigen Test Kits and clinical diagnostic reagents (completed in May 2025) ● Secured supply capacity capable of responding, even in the event of a pandemic ● Shipments of simultaneous COVID-19/influenza test kits (combo kits) leveled off as COVID-19 infections declined ● Sales weakened in some overseas markets due to national medical cost containment policies, while sales in Japan, Europe, and the U.S. remained firm ● Brought clinical diagnostic reagent manufacturer KAINOS Laboratories, Inc. into the Group through a tender offer (TOB) (March 2026)	● In addition to expanding production capacity, strengthen production efficiency by digitalizing business, production, and logistics processes ● Strengthen sales capabilities in Japan and overseas and develop new sales channels ● Expand earnings by enhancing the product lineup ● Expand sales and strengthen business competitiveness through multifaceted collaboration with KAINOS	● Provide a variety of diagnostic agents and diagnostic systems with the keywords "quick, simple, affordable, highly sensitive, and multi-diagnostic" ● Establish a diagnostics business foundation capable of sustainable growth in domestic and overseas markets

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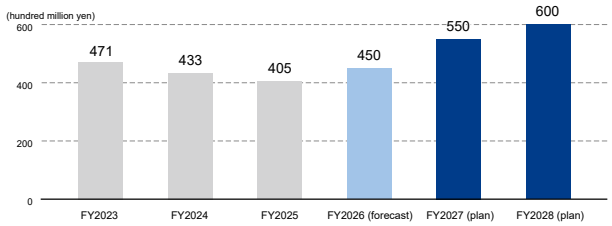
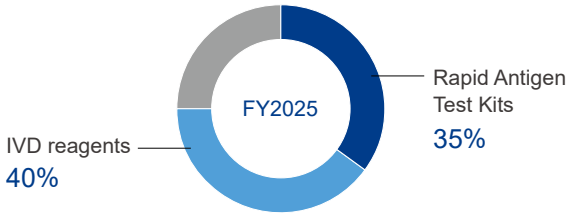
Net Sales Trends and Outlook



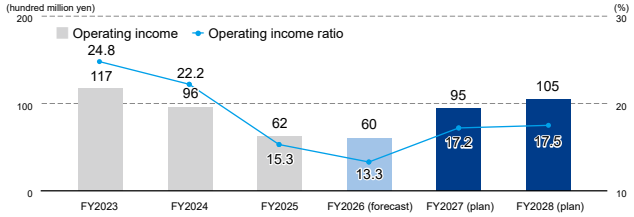
Share of Diagnostics



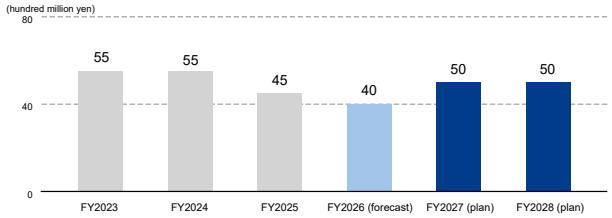
Share of total net sales (FY2025): 11%

Share of total employees (FY2025): 18%

Trends and Outlook for Operating Income/Operating Income Ratio



R&D Spending

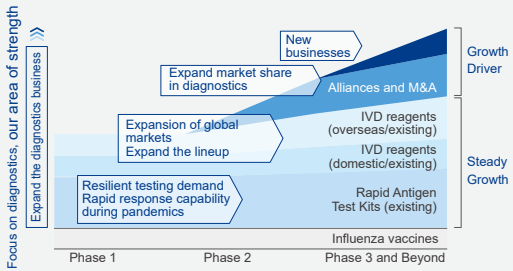


Strategy for Phase 2 of the Management Plan "Mission 2030"

The Role of Phase 2

- Phase 2 builds on the business foundation established in Phase 1 to achieve both steady growth in the existing diagnostics business and business expansion
- Leverage alliances and M&A to build a foundation for new businesses in the future (Phase 3)

Growth Structure



Basic Strategy for Phase 2

Achieve steady growth centered on IVD reagents
Position IVD reagents marketed in Japan and overseas at the core of the business and establish a stable earnings base supported by resilient testing demand

Meet growing demand with Rapid Antigen Test Kits
Leverage expanded production facilities to establish a system that can meet both resilient demand in normal times and sudden surges in demand during pandemics and other emergencies

Improve efficiency and optimize operations in the vaccine business
Optimize costs by reorganizing manufacturing facilities and increasing capacity utilization, aiming for stable operations even in an uncertain business environment

Accelerate growth through alliances and M&A
Use collaboration and alliances, primarily in diagnostics, to strengthen business competitiveness and accelerate growth

Maximizing the Benefits of Capacity Expansion

By leveraging the capacity expansions we have undertaken for vaccines, Rapid Antigen Test Kits, and IVD reagents, we will establish a production system that is capable of responding to sudden fluctuations in demand and ensure stable supply. We will enhance our profit-generating capabilities through production optimization and cost structure reforms.

Capacity Expansion (Vaccines, Rapid Antigen Test Kits, and IVD reagents) → **Production Optimization Cost Structure Reforms** → **Stable Supply Enhanced Profit-Generating Capabilities** → **Domestic Market Share Expansion + Overseas Market Growth**

Domestic Market: Expanding Share in a Mature Market

Capture stable demand in the domestic market
Although the domestic market is mature, testing demand remains resilient. Strengthen sales capabilities and focus on expanding market share

Strengthen competitiveness through collaboration with KAINOS
Achieve complementary manufacturing, and supply to strengthen competitiveness in the domestic market

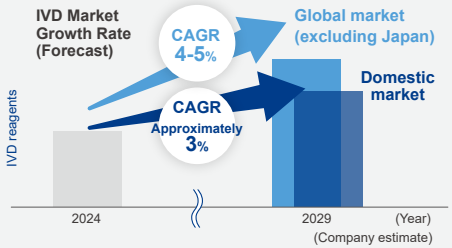
Expand adoption of new test items and improved products
Accelerate adoption of new test items and improved products to shift toward a higher-value-added product mix

Enhance reliability through stable supply
Leverage our stable supply system to earn the trust of healthcare professionals. Strengthen cost competitiveness through process reforms

Mature Market → **Market Share Expansion**

Overseas Markets: Expanding into the Growing IVD* Market

- Global IVD market will grow over the medium- to long-term
- Strengthen collaboration with partner companies
- Restructure the OEM/CDMO business
- Steadily expand into growth markets



* IVD: In vitro diagnostics

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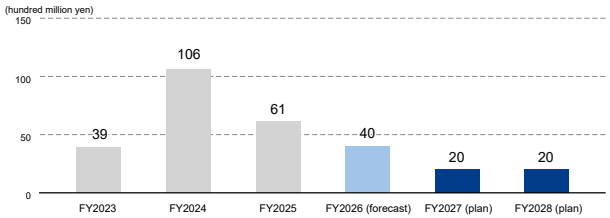
Investment Value Trends



Under the Management Plan "Mission 2030," we have steadily strengthened production capacity and our supply foundation with investments in bulk vaccine production facilities, which began operating in 2022, and in rapid diagnostic test kit and clinical diagnostic reagent production facilities at the Gosen Plant, which was completed in 2025. These investments have enabled us to respond quickly to supply needs and maintain stable operations even amid fluctuations in the infectious disease market, enhancing the competitiveness of our core business. Bringing KAINOS into the Group has also expanded our diagnostics product portfolio and business capabilities, broadening our options for growth. We will make full use of the facilities, systems, and partnerships established through these investments to accelerate achieving our earnings growth and greater business value.

SWOT Analysis

Strengths (S)

- A lineup of various Rapid Antigen Test Kits and diagnostic reagents developed in-house employing Denka's proprietary technologies
- Superior technological capabilities and robust production capacities backed by cutting-edge diagnostic agents and vaccine manufacturing facilities
- A robust network of industry-academia-government collaboration with a diverse range of partners to enhance Denka's own R&D capabilities
- Innovation arising from the integration of know-how in the fields of chemistry and healthcare, two very different fields, and marketing capabilities derived from a combination of customer bases in both fields
- Strengthened the diagnostics product portfolio and business foundation by bringing KAINOS into the Group

Opportunities (O)

- Growing need for solutions supporting the prevention and early diagnosis of disease in countries around the globe
- Establishment of demand for rapid antigen diagnostic testing due to the Novel Coronavirus pandemic
- Growing demand for medical services tailored to the needs of personalized patients
- Widespread use of IoT and AI
- Possible emergence of novel types of business supported by government-led growth strategies (legal revisions and regulatory relaxation)

Weaknesses (W)

- Susceptibility of many infectious disease-related products to demand fluctuations attributable to changes in the magnitude of epidemics and types of disease

  Countermeasures: Expand the product lineup in areas other than infectious diseases, such as chronic diseases, and diversify the portfolio

Threats (T)

- Faster development of competing and alternative technologies in vaccines and diagnostics

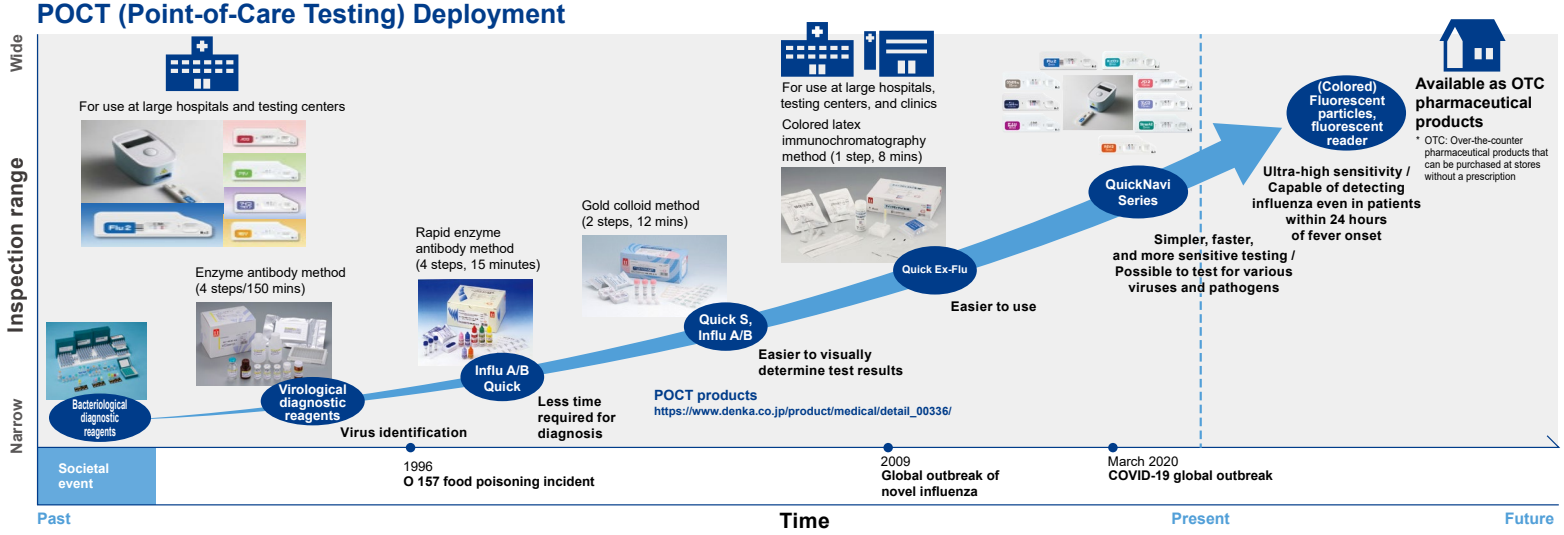
  Countermeasures: Enhance Denka's proprietary technologies and strengthen competitiveness through alliances and other measures
- Risk of a sharp decline in demand as infectious disease outbreaks subside or fluctuate

  Countermeasures: Optimize production in response to supply and demand fluctuations, and expand products in areas other than infectious diseases
- Increasing market uncertainty due to medical cost containment policies and tighter regulations in various countries

  Countermeasures: Strengthen capabilities to respond to global regulations
- Rising costs due to higher raw material prices and supply chain instability

  Countermeasures: Diversify procurement sources, increase in-house production, and improve production efficiency

POCT (Point-of-Care Testing) Deployment



Contributing to Society through Business

We operate businesses for prevention, diagnosis, and treatment that support people's health and peace of mind.

<Main Contributions to Society>

- **Prevention of and Early Response to Infectious Diseases**

  Help prevent the spread of infections with the stable supply of influenza vaccines and Rapid Antigen Test Kits (POCT)
- **Reducing the Burden on Healthcare Providers and Patients**

  Support more efficient healthcare and reduce the impact on patients with rapid, simple diagnosis
- **Contribute to the Prevention of Lifestyle Diseases**

  Support the early identification of health risks through ferritin and sd-LDL testing
- **Preparing for Pandemics**

  Strengthen the POCT production system to also respond to emergencies

  Continue working to create sustainable social value in healthcare and public health through our business activities.

* We are reviewing processes to stabilize production of the G47Δ viral preparations for cancer treatment