

Healthcare

TOPIC | KAINOS Feature



Maximizing Synergies by Leveraging Both Companies' Channels and Technologies

To strengthen our business foundation and achieve sustainable growth in the Healthcare field, we conducted a tender offer (TOB) for KAINOS Laboratories, Inc., an IVD reagent manufacturer founded in 1975 that offers a distinctive portfolio of products centered on biochemical and immunodiagnostic reagents. By partnering with KAINOS, which has strengths in the IVD reagent field, we will advance integrated value creation ranging from the enhancement of R&D capabilities to the expansion of our sales structure. This feature showcases the strategic significance of this transaction and the synergies expected from it.

Main businesses and diagnostic test items of both companies

		Denka	KAINOS
IVD reagents	Biochemistry	Cholesterol	Kidney/liver function Diabetes
	Immunology	CRP/Allergies	Blood transfusion Tumor markers
Testing kits	Antigens	Influenza Coronavirus, etc.	
	Genetics		Coronavirus Norovirus, etc.
Test items: complementary			

01 | Background and Purpose

External environment and strategic issues

Japanese IVD reagent manufacturers need to improve their international competitiveness to survive

Japanese IVD reagent manufacturers generally possess high levels of technology, but many are relatively small in terms of sales. The business environment is also becoming increasingly challenging due to factors such as maturation of the domestic market and shrinking demand caused by the declining birthrate. We view stronger competitiveness through collaboration and integration among Japanese IVD reagent companies as essential to addressing these structural challenges.

Positioning and strategic significance of KAINOS

- First step toward becoming a leader in building industry alliances
- Expansion of the businesses of both companies, which have a highly complementary relationship

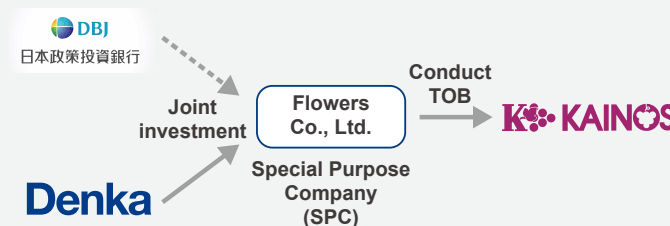
This offer is a strategic investment aimed at expanding growth areas and strengthening the portfolio of our IVD reagent business.

KAINOS develops distinctive products that address needs in medical settings across diverse testing fields, including biochemistry, immunology, genetics, and blood transfusion testing.

While Denka and KAINOS operate in the same overall IVD reagent category, their individual test items are complementary, and the alliance is expected to generate synergies.

02 | Investment Scheme

- For this offer, Denka established Flowers Co., Ltd. for the purpose of acquiring shares of KAINOS and conducted the TOB.
- Part of the acquisition is financed through a preferred-share investment from Development Bank of Japan Inc. (DBJ). The offer was assessed as contributing to greater competitiveness for both Denka and KAINOS as well as stronger supply capacity for IVD reagents in Japan.



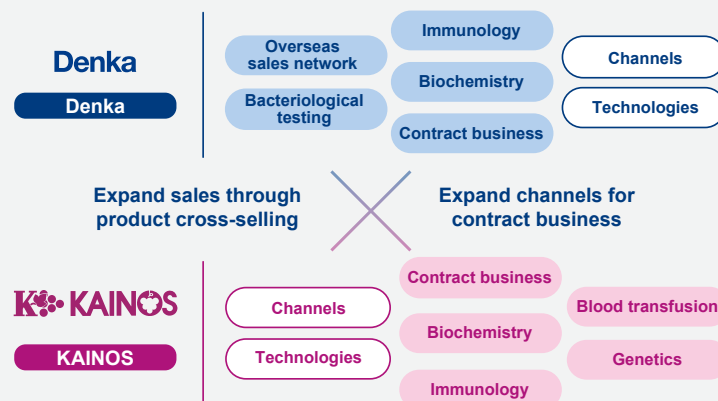
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03 | Expected Synergies

Sales synergies

Denka and KAINOS both offer IVD reagents for different test items, ensuring that their product lineups are complementary. This will enable each company to propose the other's products, which is expected to enhance our ability to offer broader customer solutions and expand sales. In the contract business, leveraging both companies' customer bases and sales channels is expected to broaden sales channels. Using Denka's overseas sales network is also expected to support expansion of KAINOS' products into overseas markets.



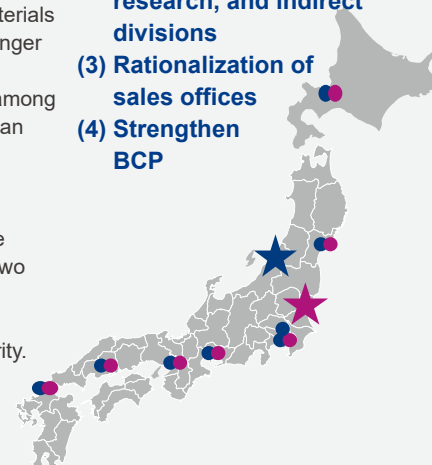
Cost synergies

The two companies have significant overlap in sales, logistics, research, and other locations, and rationalization that builds on this overlap is expected to generate synergies. Joint procurement of raw materials can deliver economies of scale and stronger purchasing power, while coordination of logistics functions, information sharing among sales offices, and optimization of R&D can improve efficiency, reduce costs, and accelerate development.

For production sites, we also anticipate greater supply stability by leveraging the geographically dispersed nature of the two companies' production networks and strengthening BCP (business continuity planning) through mutual complementarity.

- (1) Joint procurement of raw materials
- (2) Optimization of logistics, research, and indirect divisions
- (3) Rationalization of sales offices
- (4) Strengthen BCP

- ★ KAINOS production site
- ★ Denka production site
- KAINOS sales office
- Denka sales office



04 | Progress of Initiatives to Maximize Synergies

We are currently prioritizing and advancing cooperation in areas with high synergy potential and areas where early action is critical. By leveraging the strengths of both companies and strengthening their respective organizational capabilities, we will work to achieve value creation at an early stage.

05 | Toward Future Value Creation

This offer is a strategic initiative that will strengthen competitiveness and stabilize the supply base of Japan's IVD reagent industry, and will play a central role in the growth strategy of the Life Innovation business. Going forward, we will further deepen cooperation between the two companies and strengthen our business foundation and establish competitive advantages through effective operation of R&D, production, sales, and other functions. Through these initiatives, we will achieve the early realization of synergies and improve earning power, thereby contributing to the sustainable enhancement of corporate value.



(Left) Denka Company Limited, Ikuo Ishida, Representative Director, President

(Right) KAINOS Laboratories, Inc., Yukihiro Nagatsu, Representative Director and President