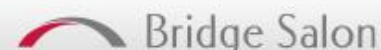


BRIDGE REPORT



President
Tsugunori Notomi

EIKEN CHEMICAL CO.,LTD.(4549)



EIKEN CHEMICAL CO.,LTD.

Company Information

Exchange	TSE Prime
Industry	Pharmaceuticals (manufacturing and sales)
President	Tsugunori Notomi
HQ Address	7 Yamaguchi building, 4-19-9 Taito, Taito-ku, Tokyo, Japan
Year-end	End of March
Homepage	http://www.eiken.co.jp/en/

Stock Information

Share Price	Share Outstanding		Market Cap.	ROE (Act.)	Trading Unit
2,002yen	38,541,438Shares		77,159 million yen	5.0%	100 Shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
58.00yen	2.9%	116.52yen	17.2 times	1,294.08 yen	1.5 times

* Share price is as of the end of May 26. All figures are from the fiscal year ended March 2025 financial settlement report.

Business Performance Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2022 Act.	42,996	8,387	8,508	6,218	168.28	51.00
March 2023 Act.	43,271	7,457	7,568	5,736	155.17	51.00
March 2024 Act.	40,052	3,377	3,568	2,634	71.69	51.00
March 2025 Act.	40,539	2,999	3,198	2,228	64.81	53.00
March 2026 Est.	42,200	3,250	3,100	3,770	116.52	58.00

* Unit: Million-yen, Yen. The definition for net income means net income attributable to owners of parent.

This Bridge Report presents EIKEN CHEMICAL's earnings results for the fiscal year ended March 2025, earnings forecast for the fiscal year ending March 2026, and new medium-term management plan, etc.

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Key Points

- In the fiscal year ended March 2025, sales grew 1.2% year on year to 40.5 billion yen. In Japan, sales declined due to the shrinkage of demand for molecular test reagents for COVID-19, while outside Japan, sales grew considerably in North America. Overall sales dropped until the second quarter, but started increasing in the third quarter. Operating income declined 11.2% year on year to 2.9 billion yen. Sales of reagents for COVID-19 testing, which are highly profitable, dropped and gross profit margin and gross profit declined due to the change in the sales composition such as decrease in revenue from patent royalties of the LAMP method, while SG&A expenses, including expenses for marketing activities and depreciation and commissioned research costs arising out of the operation of new research buildings, augmented 1.3% year on year. Profit fell below the forecast.
- For the fiscal year ending March 2026, it is forecast that sales will grow 4.1% year on year to 42.2 billion yen and operating income will rise 8.3% year on year to 3.2 billion yen. In Japan, performance is projected to be almost unchanged from the previous fiscal year, but outside Japan, the sales of fecal immunochemical test (FIT) reagents are expected to grow. They plan to pay a dividend of 58.00 yen/share, up 5.00 yen/share from the previous fiscal year. The expected payout ratio is 49.8%.
- They have formulated and announced “Challenges to Innovation,” a new medium-term management plan for 3 years from fiscal year ending March 2026 to fiscal year ending March 2028. The basic policies of the business strategy are “development and expansion of overseas markets,” “restructuring the product portfolio,” and “development of new products.” For the development and expansion of overseas markets, they concentrate on the global distribution of reagents for the fecal immunochemical (FIT), the tuberculosis test (TB-LAMP), and the immuno-serological latex reagents. For the redevelopment of the product portfolio, they will invest in main product groups, mainly fecal immunochemical (FIT), profitable product groups, and developing product groups. For low-earning product groups, they will adjust or discontinue them. Regarding the development of new products, they are preparing for the release of new products in the fields of fecal immunochemical, immune-serological, and molecular tests.
- By promoting business strategies and integrating production sites, they will strive to strengthen the system for supplying main product groups and improve production efficiency, with the aim of achieving “sales of 46.9 billion yen, an operating income of 5.9 billion yen, and an operating income margin of 12.6% in the fiscal year ending March 2028.” For capital efficiency, they will promote financial and capital measures for achieving an ROE of 9.3% in the fiscal year ending March 2028. They will establish a foundation for achieving “an ROE of 15% in fiscal year ending March 2030,” which is set in “EIKEN ROAD MAP 2030.”
- The previous medium-term management plan set the goal of achieving “sales of 43.5 billion yen, an operating income of 6.25 billion yen, and an operating income margin of 14.4%, and an ROE of 9.2% in fiscal year ended March 2025.” Unfortunately, the results were “sales of 40.5 billion yen, an operating income of 2.9 billion yen, an operating income margin of 7.4%, and an ROE of 5.0%,” falling below the goal. Major factors in the failure to

achieve the goal are external factors, such as the steep decrease in demand for reagents for COVID-19 testing and the augmentation of distribution and material procurement costs, and internal factors, such as “the failure to attain target overseas sales, which are a growth driver” and “the delay in release of new products,” which affected performance significantly. We would like to pay attention to how they will tackle these issues under the new management structure with the new medium-term management plan “Challenges to Innovation.” Investment Bridge plans to interview Mr. Yuji Segawa, who will be appointed as new president, for the next report.

1. Company Overview

EIKEN CHEMICAL is a general manufacturer of clinical diagnostics, including immunological and serological, microbiological, clinical chemistry, urine analysis and molecular screening test. It also develops and sells medical devices. It offers many products that occupy high market share including fecal immunochemical test that occupy about 60% of the domestic share, Urinalysis test, Microbiological test and so on. Its unique gene amplification technology, “LAMP”, is recognized in the world. With the fecal occult blood tests, urinalysis test strips and LAMP, EIKEN is aiming to become a global corporation.

1-1 History

Founded as Koa Kagakukogyo Co., Ltd. in 1939, the company started manufacturing and selling nutritional foods and pharmaceuticals made from livestock organs. In 1949, it was the first company in Japan to successfully commercialize a powdered agar for the detection of bacteria (Salmonella-Shigella [SS] agar). In 1961, it established the Clinical Diagnostics Division and began R&D on in-vitro diagnostics.

In 1989, the company launched “OC-sensor,” the world's first fully automated fecal occult blood analyzer. This led to the establishment of its current overwhelming lead in this field.

After that, while expanding its business domains such as reagents for urinalysis testing and microbiological testing, in 1998, the company developed the LAMP method, a new gene amplification technology. It has launched various products using the LAMP method that are simpler, faster, and more accurate than conventional testing methods.

In 2005, the company concluded a joint development contract with FIND (Foundation for Innovative New Diagnostics) for a rapid molecular tuberculosis detection method, based on the LAMP method. It then proceeded with joint development related to testing for malaria, HIV, etc.

In March 2020, the company released COVID-19 detection reagent utilizing the LAMP method to be used against COVID-19, which has been spreading worldwide.

*For further information about the LAMP method and FIND, please refer to “1-6 Characteristics and Strengths (4) Competitive Advantages of the LAMP Method.”

1-2 Management Philosophy

“Management Philosophy”: Protect the health of the public through health care services.

“Management Vision”: EIKEN group is dedicated to leveraging expertise as a medical testing pioneer to increase corporate value by protecting the health of the public with products and services that customers can trust.

“Motto”: We EIKEN provide trustworthy quality and develop with technology.

EIKEN group formulates “EIKEN WAY” as its attitude toward each stakeholder, centering these philosophy vision, and motto.



(Source: EIKEN CHEMICAL)

1-3 Market Environment

Domestic Market

The scale of the market of clinical reagents was about 576.4 billion yen in fiscal year 2023, and if reagents for research and testing equipment are included, it's about 933.3 billion yen (surveyed by Japan Association of Clinical Reagents Industries. Data provided by Eiken Chemical), partially due to the growth of sales of reagents for COVID-19. To control rising medical costs, the Japanese government is focusing on preventive medicine such as an increase in attendance rates of special health check-ups (metabolic check-ups) and cancer screening and deregulation of OTC test drugs (test drugs that can be purchased at pharmacies). It is expected that this, along with the aging population, will lead to an increase in the number of samples (number of specimens).

Some negative factors include the impact of population decline because of decreasing birth rates and revision of medical treatment fees (reduction). However, the trends of laboratory test fees which had been subject to revision of insurance (medical laboratory test fees) show that, even though they were cut by some 40% from 1997 to 2006, the fees have been stable or only slightly reduced after 2007 (Laboratory test fee in fiscal 2022: -1.14%). This is the result of industry-wide efforts to emphasize the importance of prevention and testing, and the domestic market is expected to continue to grow modestly by about 2% per year over the medium term, if the impact of COVID-19 is not taken into account.

Out of 145 member companies (as of April 2023) of JACRI mentioned above, about 80 are manufacturers, and there are about 15 companies with over 10 billion yen in sales. Most of them are small to medium sized companies. Because the test items of diagnostic tests range widely, each company has its own field of strength, and business segregation is already established in the industry. As a result, collaboration, such as supplying raw materials and products from other companies and manufacturing and selling them, is often observed. Against such a backdrop, the market is modestly growing. Therefore, there is currently no apparent trend of weeding out uncompetitive corporations.

Overseas Market

The global in vitro diagnostics market is estimated to be US\$ 77.9 billion and, by region, the market is occupied by the USA at 42.3%, followed by Europe at 26.6% and Asia at 23.1% (As of 2023) (Survey results by Eiken Chemical Co., Ltd. according to Horizon Databook).

The overseas market is over 8 times larger than the domestic market. In developed countries, the number of tests is increasing as aging of population progresses. Furthermore, in emerging countries, the needs for medical services are expanding because of economic and income growth. As a result, the annual growth rate of overseas market is expected to be over 3.9%, which is much higher than that of the domestic market. Therefore, the Japanese companies in the industry are vigorously undertaking globalization of their businesses.

In the global market, however, large global companies such as Roche, Abbott, SIEMENS, and Danaher are the main players, and in order to survive the competition, Japanese companies must strengthen their competitiveness by, for example, developing unique products or systems.

Fecal occult blood test market

The global market for cancer diagnosis is expanding due to the global increase in the elderly population and the rise in the prevalence of cancer. The cancer diagnosis market is worth approximately 124.3 billion dollars, of which the colorectal cancer diagnosis market is worth approximately 16.3 billion dollars and the fecal occult blood testing market is worth approximately 170 million dollars.

In addition to “accelerated spread of contactless FIT* due to COVID-19,” “lack of testing capacity due to a shortage of endoscopists,” “recognition of the high medical economic value of FIT,” and “increased recognition of the importance of health checkups (medical examinations) in emerging countries,” it is expected that the age range subject to a cancer screening test will broaden further in advanced countries, too, and the market of fecal occult blood tests will expand further.

The company provides colorectal screening tests in 52 countries around the world and already occupies 70% of the global market. The company has advantages such as “abundant evidence,” “development of excellent stool collection containers,” “hemoglobin stability,” “high accuracy control in fecal occult blood tests,” and “provision of comprehensive support services based on extensive experience.”

It promotes expansion strategies such as “increasing the rate of undergoing screening,” “improving test accuracy,” and “receiving new orders for screening,” while enhancing its social significance by creating value such as “reducing the risk of death from colorectal cancer,” “reducing medical costs through early treatment,” “improving quality of life,” and “extending healthy life expectancy.”

They aim to increase the number of countries where their products are available from 52 in fiscal year ended March 2025 to 61 in fiscal year ending March 2028.

*FIT: Fecal Immunochemical Test, which is used for colorectal cancer.

1-4 Business Description

1. What are Clinical Tests?

One type of clinical tests is the “Biological test” that directly examines the body using medical equipment such as X-ray, CT, MRI, electrocardiogram, and ultrasound. Another type of clinical tests is the “Laboratory test” that examines biological samples (specimens) obtained from people such as blood, urine/feces, and cells.

The clinical test reagents made by EIKEN CHEMICAL are the ones used for medical laboratory tests. For example, they are used to test infectious diseases or to measure small amounts of blood contained in stool. They are made to support diagnosis. Most of these reagents are called in vitro diagnostics (IVD) and are regulated by the Pharmaceutical and Medical Device Act so reagent manufacturers file applications with PMDA (Pharmaceuticals and Medical Devices Agency) and obtain its approval. Users include hospitals, clinics, medical offices, medical test centers that carry out tests commissioned by medical institutions, health screening centers, public health centers, and institutions for health research, and others.

2. Major Products

EIKEN CHEMICAL mainly manufactures and sells the following types of reagents and medical devices.

As they deal with a wide range of reagents, they not only sell their in-house products but also purchase and sell products from other companies.

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Major in-house products include fecal immunochemical test (FIT) reagents, microbiological reagents, immunological and serological reagents, urinalysis test strips, molecular testing reagents, etc. The sales ratio of in-house products to other companies' products is approximately 60:40. The gross profit margin is approximately 55% for in-house products and approximately 35% for other companies' products.

Product Group	Sales	Sales Proportion
Fecal immunochemical test (FIT) reagents	12,941	31.9%
Immunological and serological reagents (excluding FIT reagents)	9,599	23.7%
Urinalysis test strips	4,620	11.4%
Microbiological test reagents	4,501	11.1%
Clinical Chemistry test reagents	573	1.4%
Equipment/food and environment-related	1,960	4.8%
Molecular test-related (including devices)	1,980	4.9%
Medical devices and others (excluding Molecular test-related devices)	4,362	10.8%
Total sales	40,539	100.0%

*Results for the fiscal year ended March 2025. Unit: Million Yen

Fecal immunochemical test (FIT) reagents

The major products for EIKEN CHEMICAL are reagents and sampling bottles for fecal immunochemical tests to specifically detect and measure human hemoglobin in feces as a colorectal cancer screening and diagnosis and are sold globally.

Immunological and serological reagents (excluding FIT reagents)

EIKEN CHEMICAL develops, manufactures, and sells reagents for various tests, such as LZ Test EIKEN, a reagent for general-purpose automatic analyzers used for diagnosing rheumatism and inflammatory disorders and gastric cancer risk stratification test (the ABC method). The company also procures reagents for fully automated enzyme immunoassay devices and reagents for automatic glycohemoglobin analyzers from Tosoh Corporation, and sells them.

Urinalysis test strips

EIKEN CHEMICAL develops, manufactures, and sells "UROPAPER III 'EIKEN'," a urinalysis test strip for testing various items such as occult blood, protein and glucose, as well as the "UROPAPER α III 'EIKEN'," a specialized test strip for fully automated urine analyzers.

Outside Japan, the company formed a business tie-up with Sysmex Corporation in 2017 and has sales.

Microbiological test reagents

Since its establishment, EIKEN CHEMICAL has been developing biological specimens as well as reagents for microbiological tests for food and environment in order to prevent infectious diseases and food poisoning. Currently, it develops, manufactures, and sells various reagents that are effective for diagnosis and treatment of microorganism infection, such as culture media for various bacterial tests (culture media for enrichment, culture media for isolation, culture media for biological properties tests, culture media for identification tests), antimicrobial susceptibility tests, and rapid test reagents.

Clinical Chemistry test reagents

EIKEN CHEMICAL develops, manufactures and sells reagents for clinical chemistry tests including "EXDIA XL 'EIKEN'" series that assist to measure and analyze biological components in blood serum and urine, with a focus on the test items that are related to lifestyle related diseases.

Equipment/food and environment-related

EIKEN CHEMICAL sells reagents for microbiological tests on food to detect food poisoning bacteria as well as reagents for environmental microbiological tests and equipment and devices to measure contamination of work environments.

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Molecular test-related (including devices)

In 1998, EIKEN CHEMICAL developed an innovative gene amplification technology called “LAMP,” and develops, manufactures, and sells molecular testing reagents using the LAMP. The LAMP is “simple, rapid, and accurate” and is a critical tool for Eiken’s future domestic and global expansion of its business. (Details are described below)

Medical devices and others (excluding Molecular test-related devices)

EIKEN CHEMICAL sells various types of automated analyzers. They contract manufacturing specialized equipment that uses their in-house reagent. Since beginning sales of “OC Sensor” in 1989, they have worked continuously on technological innovation and quality improvement of this fecal immunochemical test analyzer. Also, they offer the “US,” an automated urine analysis device that uses Eiken’s proprietary image processing system and “Loopamp EXIA,” a LAMP-based real time turbidity measuring device.

3. Sales structure

EIKEN CHEMICAL has 9 sales divisions in Japan. Its academic department supports sales promotion.

Out of 702 employees (consolidated) during fiscal year ended March 2025, about 290 belong to the sales department.

As for the sales channels for medical institutions such as hospitals, the Company’s direct sales partners are medical wholesale companies, and it has businesses with almost all the wholesale companies in the medical industry.

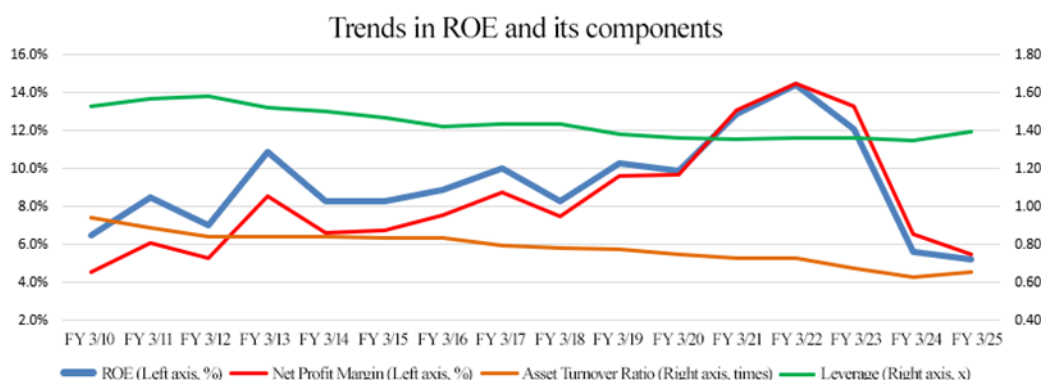
For overseas sales, EIKEN CHEMICAL has basically 1 agency per country, and the sales and maintenance are commissioned to the agencies and managed by the overseas planning and sales of the head office. For overseas sales, EIKEN CHEMICAL has basically 1 agency per country, and the sales and maintenance are commissioned to the agencies and managed by the overseas business division of the head office. EIKEN’s products are exported to 45 countries. The high proportion of overseas sales is occupied by the sales in the USA, Germany, Italy, Spain, England, France, Australia, South Korea, and Taiwan. The company has the Europe Branch in Amsterdam (the Netherlands) and is strengthening its sales structure. In November 2023, the company established a U.S. corporation, and plans to establish a direct selling system.

In the fiscal year ended March 2024, overseas sales exceeded 10 billion yen for the first time, reaching 10,115 million yen, and grew further in the fiscal year ended March 2025. Fecal immunochemical test (FIT) reagents account for about 60% of overseas sales.

1-5 ROE Analysis

	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22	FY 3/23	FY 3/24	FY 3/25
ROE(%)	8.9	10.0	8.3	10.3	9.9	12.9	14.3	12.1	5.6	5.0
Net Profit Margin	7.55	8.77	7.45	9.64	9.67	13.04	14.46	13.26	6.58	5.50
Asset Turnover Ratio	0.83	0.80	0.78	0.77	0.75	0.73	0.73	0.67	0.63	0.65
Leverage	1.42	1.43	1.43	1.38	1.36	1.35	1.36	1.36	1.35	1.40

*Unit: %, times, x



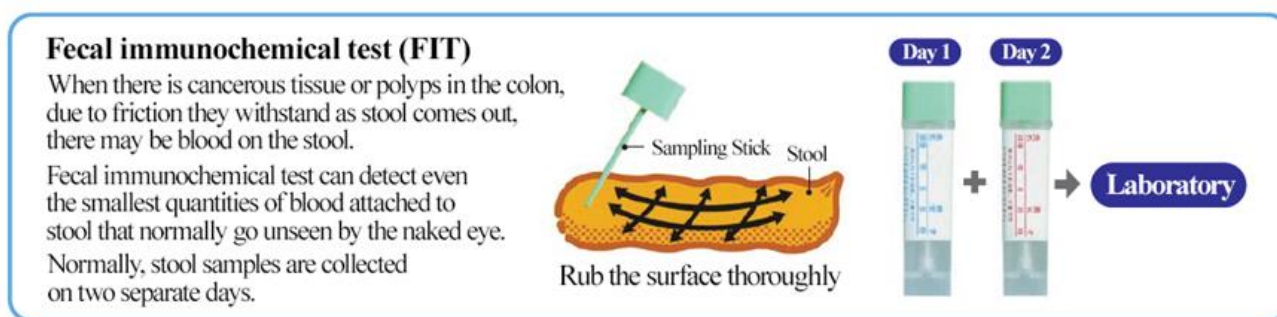
ROE fell below 8%, which is the value Japanese enterprises should aim to achieve, for two consecutive periods mainly due to the decline in the net profit margin. In order to maintain or increase ROE, it is indispensable to improve total asset turnover,

which has been declining, while developing high value-added products, creating new businesses and markets, raising profit margin by reducing the ratios of cost of sales and SG&A expenses, and improving productivity.

1-6 Characteristics and Strengths

(1) Products that Occupy High Share in the Market

The share of Eiken's fecal immunochemical test (FIT) reagents is ranked top (68%) in the domestic market. Furthermore, many of their in-house products occupy high market share in the market, for example, urinalysis test strips occupying approximately 29% (ranked top) of the market, and microbiological reagents occupying approximately 14% (ranked fourth) of the market. The background to how Eiken's fecal immunochemical test (FIT) reagents have come to hold such a high share of the market includes that in 1987, Eiken began sales of "OC-Hemodia," a visual determination method fecal immunochemical test (FIT) reagents, a product that more closely conformed to user needs when compared to competitor's products, and that in 1989 they adopted the latex photometric immunoassay method and began sales of "OC-Sensor," the world's first fully automated analyzer. Also, the Health and Medical Service Act for the Aged was revised in 1992, making it possible to have fecal immunochemical test (FIT) reagents as a method in colon cancer screening and diagnosis using public funds (no cost to the patient) which led to an accelerated spread and increased competition. But in 2001, Eiken began sales of the "OC-Sensor neo," with completely remodeled functions, which increased its market share.



(Source: EIKEN CHEMICAL)

As for fecal immunochemical tests, Eiken will expand its business globally based on the above characteristics.

The immunochemical method used in Japan applies reagents that react only to human hemoglobin and can process a large volume simultaneously using automated equipment.

Meanwhile, in other countries, reagents for the chemical method based on old measuring principles are still used, which presents accuracy challenges. In 2010, the test guidelines in Europe have finally begun recommending automated analyzers that use the immunochemical method. As a result, the market is beginning to undergo a dramatic change.

Furthermore, although the chemical method is also still common in the United States, which has the largest potential market, trends show a gradual shift toward the immunochemical method. Additionally, new guidelines on colorectal cancer screening by USPSTF (US Preventive Medicine Special Committee) was published in June 2016. These guidelines pointed that the immunization method is superior to the conventional chemical method and pursuantly, and assessed Eiken's fecal immunochemical test product, "the OC FIT-CHEK family of FITs" has the utmost inspection performance with high sensitivity and specificity. Besides, the large markets which are under developing exist on the leading and emerging countries in Asia and South America.

Because the fecal immunochemical test market is a niche market, Japanese companies, the forerunners of the immunochemical method, own the most advanced technique, and hence Eiken's reagents and equipment are the global standard.

(2) Focusing on research and development

EIKEN CHEMICAL is focusing on research and development of unique technologies as a research and development corporation, and the development of original products that respond to customers' needs, using the unique technologies. The number of staff assigned for research and development is about 170.

The demand from the customers is higher quality of medicine. Specifically, they demand for higher differential diagnosis accuracy with high sensitivity and high quality and improved detection rate. In addition, easier usage will lead to reduction in the work of medical staff. Responding to such needs is critical.

Since its establishment in 1939, EIKEN CHEMICAL has accumulated unique technologies for manufacturing reagents. Their unique technologies are applied to the measuring principles of their devices such as fecal occult blood test analyzer, automated urine analyzer, and molecular testing that are designed to optimize the performance of the reagents.

(3) Development of various types of products in various fields through alliance strategy

Because clinical test reagents have wide range of subjects and items, it is not possible for one company to develop, manufacture and sell all types of reagents. The other companies in the industry are focusing on the technologies and products that they are specialized in. However, as an integrated manufacturer of clinical test reagents, EIKEN CHEMICAL aims at stabilizing profit structure, expanding their own strengths through alliance strategy, and pursuing synergy effects such as complementing functions and acquiring new technologies, while dealing with a wide range of products and responding to the needs of customers and users such as medical institutions.

Another reason why they cover various types of products in various fields is that they believe that covering wide range of clinical tests is their social responsibility to protect the health of the people, as is stated in their management philosophy: “protect the health of the public through health care services.”

(4) Competitive Advantages of the “LAMP”

Thus, far the mainstream technology for amplifying genes as a process of gene tests has been what is called “PCR” Under such circumstances, in 1998, EIKEN CHEMICAL developed a unique technology called the “LAMP.”

Compared to the PCR, the “LAMP” offers the following superior characteristics and allows users to carry out simple, rapid, and accurate gene tests.

Simple	Amplification response occurs at a constant temperature (with the PCR, the temperature needs to be changed for amplification).
Rapid	High amplification efficiency, with genes being detected within 30 to 60 minutes (with the general PCR, it takes 2 to 3 hours).
Accurate	Extremely high specificity.

Currently in the medical field, the LAMP is used to diagnose infectious diseases such as COVID-19, tuberculosis, mycoplasma (a genus of bacteria, it can also cause pneumonia), legionella, pertussis, etc.

EIKEN CHEMICAL is making focused efforts on infectious disease diagnostic test in order to establish the status of the LAMP. At the same time, it is promoting the use of the LAMP in other fields such as food production and processing, environment, agriculture/veterinary to spread and enhance recognition of the LAMP. In fact, the LAMP-based products have been commercialized one after another since 2002.

One of the major actions to spread the LAMP in the world is an alliance with “**FIND.**”

“FIND” stands for “Foundation for Innovative New Diagnostics” and is a non-profit organization recognized by the Swiss government, launched at a meeting of the United Nations World Health Assembly in May 2003. In its initial five years of existence, it received a grant from the Bill & Melinda Gates Foundation to start up their activities. Their goal is to develop and introduce affordable, simple, and advanced diagnostic tests to eradicate infectious diseases in developing countries.

FIND’s scope of activities includes tuberculosis, malaria, and African sleeping disease. With tuberculosis, collaborative research between EIKEN CHEMICAL and FIND for a tuberculosis test using the LAMP began in July 2005. The purpose of this research is to improve the accuracy of tests by replacing the microscopy test (sputum smear test), which is the current practice in developing countries.

As a result of this collaboration, improvements which are not possible with the conventional PCR such as simplified pretreatment (PURE), improved reagents storage (store at room temperature) and simplified devices have been made to enable the developing countries to carry out the procedure (TB-LAMP). This LAMP-based product was already launched in Japan in 2011. After that, in order to obtain endorsement from the WHO (World Health Organization), FIND has completed its clinical

evaluation in 14 developing countries and submitted this information to the WHO. In consequence, the company has acquired the recommendation by WHO as an evaluation replaces with microscopic examination or as an inspection reinforcing microscopic examination in August 2016.

According to a report on global tuberculosis announced by WHO in November 2017, the number of patients suffering from tuberculosis in 202 countries all over the world in 2016 was 10.4 million, an increase of 0.8 million from 9.6 million in 2014. Additionally, the number of deceases was 1.7 million, an increase of 0.2 million from 1.5 million in 2014. Most of them are inferred as matters of undiagnosed or untreated, and WHO indicates "the enforcement of countermeasures for the countries where access to diagnosis and treatment is not yet maintained is demanded." Following these situations, the company expects that dissemination and penetration of TB-LAMP contribute greatly to solve these problems.

In addition to the aforementioned diseases other than tuberculosis, the company is collaborating with FIND on a reagent for neglected tropical diseases (NTDs) such as Leishmaniasis and Chagas diseases.

EIKEN CHEMICAL completed the development of a testing system "Simprova" that uses a next-generation compact fully automated molecular testing device and multi-item testing chip using the LAMP. However, to cope with the problems with supply at overseas manufacturing outsourcees for equipment, they are preparing for relocating the manufacturing site to Japan and releasing the product.

This equipment fully automates the process from specimen preprocessing (nucleic acid extraction and purification) to amplification and detection. By developing the unique protocol that exploits the LAMP's characteristics, the operation time that used to take over 2 hours with a conventional high purity nucleic acid extraction and purification device and an amplification and detection device combined, is now shortened to less than an hour. They have engaged in the development of respiratory tract infection panels, but they have shifted to the development of products in the fields of cancer and healthcare.

It is anticipated that "Simprova" will accelerate the spread of the LAMP and establish its position as the global standard in a newly created market.

*** Gene amplification technology**

Since the number of genes found in a molecular test sample is extremely small, to detect genes, the targeted gene must be amplified first. Gene amplification technology, therefore, is crucially important for molecular testing.

*** African trypanosomiasis**

An endemic found in tropical Africa; African trypanosomiasis is a serious tropical disease transmitted to HUMAN mbH by a protozoa called *Trypanosoma brucei*. The disease is transmitted by a tsetse fly. *Trypanosoma* in HUMAN mbH blood sucked by a tsetse fly develops and propagates inside the HUMAN mbH body in 2 to 5 weeks, before turning itself into a terminal *Trypanosoma*-type, which becomes a source of next round of infection. The disease causes fever, headache, and vomiting, and the patient falls into constant sleep. Since the patient cannot take meals, he or she becomes thin and complain of generalized weakness and, in many cases, leads to a complication and dies.

*** Leishmaniasis**

Leishmaniasis is a disease transmitted by a protozoon called leishmania, and has various types such as visceral leishmaniasis (also known as black fever), Brazilian leishmaniasis that affects skin and mucous membranes, and tropical leishmaniasis which affects skin. All these types are transmitted by blood-sucking insects, especially sandflies. Visceral leishmaniasis, after about three months incubation period, causes fever, sweating, diarrhea, etc. and, in about one month, causes a swollen liver and spleen, the patient develops an anemia and becomes weak if untreated, and may die in half a year to two years.

*** Chagas disease**

Found in southern U.S. as well as Central and South America, Chagas disease is an infectious disease transmitted by Reduviidae, a kind of blood-sucking Triatominae. The disease does not develop symptoms immediately after infection; it usually has a latency period of about 30 years. It causes symptoms such as inflammation of sinews, liver and spleen, myalgia, myocarditis, cardiomegalia encephalomyelitis, cardiac disturbance.

1-7 Adopting a management approach that is conscious of the cost of capital and stock price

(1) Analysis of the current situation

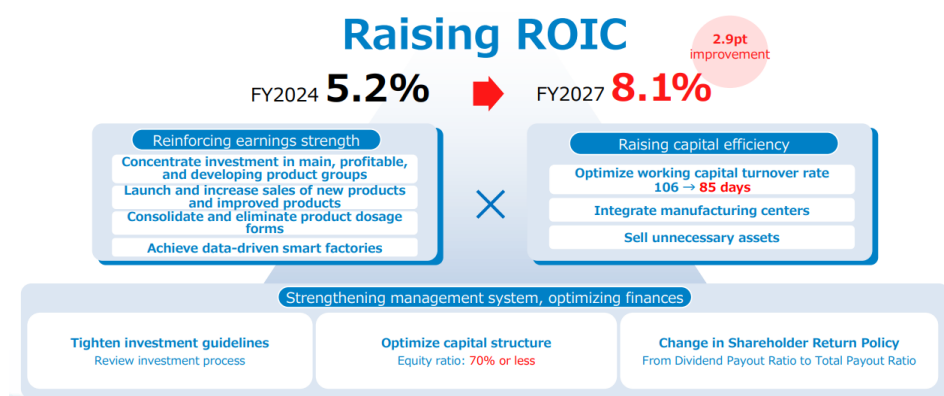
As shown in [1-5 ROE Analysis], the company's ROE had been above 8% until the fiscal year ended March 2023, ROE was less than 8% for 2 consecutive fiscal years in the fiscal year ended March 2024 and 2025.

In response to this situation and based on an assessment of the current situation, which has resulted in a decline in P/B ratio to the low 1x range, the Board of Directors is discussing policies and specific initiatives for improvement.

(2) Efforts

1) Improvement of capital profitability

In order to improve their earning capacity and capital profitability, they will conduct ROIC-oriented business administration thoroughly, fortify their management system, and carry out capital measures for improving corporate value.



(Source: EIKEN CHRMICAL)

2) Return of earnings to shareholders

Positioning the return of earnings to shareholders as one of the most important management objectives, the company's basic stance is to implement a stable dividend policy in consideration of strengthening the financial position and enriching internal reserves necessary for active business development.

In order to further enrich the return to shareholders, they decided to adopt total payout ratio, including dividends and the acquisition of treasury shares, as an indicator of shareholder return, and aim to achieve "a total payout ratio of 50% or higher" instead of attaining "a consolidated payout ratio of 30% or higher."

3) Cash Allocation

According to the new medium-term management plan "Challenges to Innovation," they plan to increase the strategic investment amount from 900 million yen in the previous medium-term plan to 5 billion yen or over, by borrowing money and generating the cash inflow from the sale of assets.

1-8 Sustainability

(1) Identification of material issues, goals and activities

The company has identified material issues in each area and set out "ideal image," "KPIs," and "measures and activities."

1) Medical

Ideal image: Contributing to the healthy and prosperous lives of people around the world

© Material issue: Improving access to healthcare

KPI for fiscal year 2030: Number of countries where products are available: 15

Measures and Activities

To supply products to developing countries

- Promote and establish TB-LAMP in countries with a high burden of tuberculosis.

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- Make presentations at international conferences such as the Tokyo International Conference on African Development (TCAD) and the Nikkei FT Communicable Diseases Conference
- Promote partnerships with industry, academia, government and the private sector.

© Material issue: Solving medical issues

KPI for fiscal year 2030: Number of countries where colorectal cancer screening is available: 67

Measures and Activities

To solve global medical issues, develop cutting-edge technologies and promote innovation

- Expand adoption of the company's products for colorectal cancer screening
- Improve stability of stool collection container buffer solution
- Educational activities to increase the rate of undergoing screening

<Examples of initiatives>

TB-LAMP was adopted on a large scale in Nigeria in order to realize a TB testing system that leaves no one behind.

In previous programs, only patients who visited the hospital based on symptoms were tested. In this program, they were able to find tuberculosis patients, who had been overlooked through mobile health checks.

The program continues in Nigeria and the company will also work to horizontally expand the system to obtain Global Fund budgets in other countries.

The company aims to further increase awareness and promote TB-LAMP through collaboration with global NGOs.

2) Environment

Ideal image: Business activities in harmony with the global environment

© Material issue: Addressing climate change

KPIs for fiscal year 2030

Scopes 1 + 2: Reduce CO₂ emissions by 56% (from 2021)

Scope 3: Reduce CO₂ emissions by 25% (from 2022)

For Scopes 1 + 2, the reduction target has been revised upwardly from a 30% reduction in CO₂ emissions (from 2018).

Measures and Activities

Reduction of CO₂ emissions

- Use of renewable energy (use of hydroelectric power generation in factories and laboratories. In-house solar power generation, adoption of EVs)
- Obtaining SBT certification

© Material issue: Contributing to a recycling-oriented society

KPIs for fiscal year 2030

Waste reduction by 15% (from 2018)

Adoption rate of eco-friendly packaging materials to 30%

Adoption rate of biomass plastics to 8%

Measures and Activities

Waste reduction (reduction of packaging materials and use of recyclable materials)

- Recycling of waste plastics (promoting recycling of mono material plastics and the use of other waste plastics as solid fuel and thermal recycling)
- Improvement of product packaging (reduction of product case size and review and revision of packaging specifications to improve transportation efficiency)

3) Society

“Human resource strategy”

The company believes that its employees will create the future of the group, and that expanding employees' potential will lead to the company's growth and contribution to society.

Based on this policy, the company aims to be “a dynamic company that makes the most of its people.” In addition to fostering an organizational culture that respects and embraces diversity, the company is taking full consideration of the safety and health of employees and creating an environment where employees can focus on work that adds high value.

The company also aims to develop human resources that allow all employees to realize their full potential and induce innovation.

(2) Publication of the integrated report

Aiming to strengthen the ability to disseminate information on the company's approach to sustainability and its initiatives, in August 2023, they started issuing an integrated report. The latest issue released in August 2024 includes the goal of creating a future of inspection, improving the health of people around the world, and realizing a sustainable society, a message to stakeholders, the descriptions of social impact, business strategies, and managerial resources.

<https://www.eiken.co.jp/ir/integrated>

(3) Inclusion in ESG indices

The company has been selected for various indices adopted by GPIF for Japanese equity investments.

- FTSE Blossom Japan Sector Relative Index
- S&P/JPX Carbon Efficient Index
- Morningstar Japan ex-REIT Gender Diversity Tilt Index

(4) Endorsing and signing initiatives and third-party evaluations and certifications

*Medical

Signed the Kigali Declaration on Neglected Tropical Diseases, and endorsed the GHIT Fund, an international public-private fund fighting for the control of infectious diseases.

*Environmental

Supported the TCFD.

The company received the highest rating “Score A” in the climate change assessment by CDP, a non-governmental organization managed by a UK charity that runs a global disclosure system to help investors, companies, countries, regions and cities manage their environmental impact.

In February 2024, the company obtained SBT (Science Based Targets) certification, an international certification for reducing greenhouse gas emissions.

*Social

In 2024, the company was recognized as an “Excellent Corporation for Health Management” for the fifth consecutive year.

The company has also been recognized as a “Platinum Kurumin” company that supports employees in balancing childcare and family life and has received the “Eruboshi” three-star certification as a company that promotes women's participation in the workforce.

*Governance

Recognized by the National Resilience Promotion Office, Cabinet Secretariat, as an organization contributing to national land resilience.

2. Fiscal Year Ended March 2025 Earnings Results

(1) Overview of consolidated results

	FY 3/24	Share	FY 3/25	Share	YoY	Compared with the forecasts
Sales	40,052	100.0%	40,539	100.0%	+1.2%	+0.8%
Domestic	29,936	74.7%	29,829	73.6%	-0.4%	+1.4%
Overseas	10,115	25.3%	10,710	26.4%	+5.9%	-0.6%
Gross margin	16,723	41.8%	16,512	40.7%	-1.3%	-2.2%
SG&A	13,345	33.3%	13,512	33.3%	+1.3%	-1.2%
Operating income	3,377	8.4%	2,999	7.4%	-11.2%	-6.5%
Ordinary income	3,568	8.9%	3,198	7.9%	-10.4%	-2.2%
Quarterly net income	2,634	6.6%	2,228	5.5%	-15.4%	-15.0%

*Unit: million yen. Forecasts are ratios to the earnings forecasts announced in October 2024.

Sales increased, but profit fell below the forecasts.

Sales grew 1.2% year on year to 40.5 billion yen. In Japan, sales declined due to the shrinkage of demand for molecular test reagents for COVID-19, while outside Japan, sales grew considerably in North America. Overall sales dropped until the second quarter, but started increasing in the third quarter.

Operating income declined 11.2% year on year to 2.9 billion yen. Sales of reagents for COVID-19 testing, which are highly profitable, dropped and gross profit margin and gross profit declined due to the change in the sales composition such as decrease in revenue from patent royalties of the LAMP method, while SG&A expenses, including expenses for marketing activities and depreciation and commissioned research costs arising out of the operation of new research buildings, augmented 1.3% year on year.

Profit fell below the forecast.

Quarterly trends Sales and Operating income (unit: million yen)



(2) Sales by product group

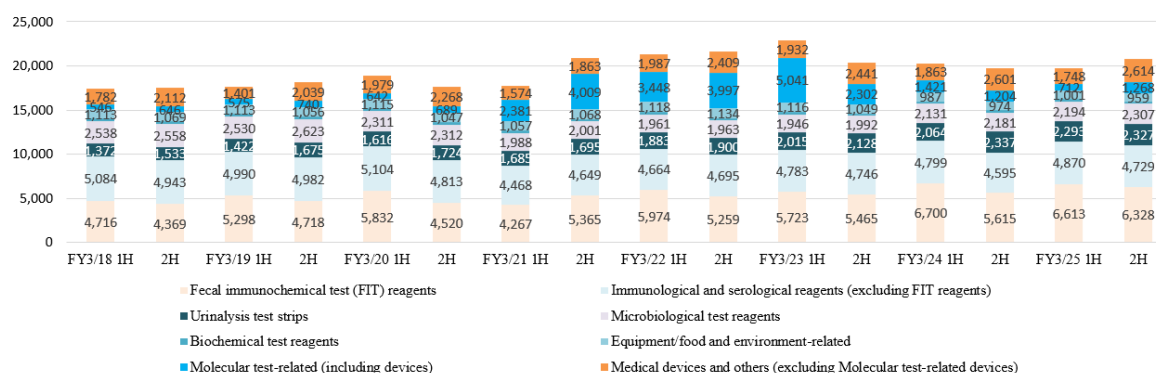
	Product Group	FY 3/24	FY 3/25	YoY	Forecast ratio
(a)	Fecal immunochemical test (FIT) reagents	12,315	12,941	+5.1%	+2.0%
(b)	Immunological and serological reagents (excluding FIT reagents)	9,394	9,599	+2.2%	+1.0%
(c)	Urinalysis test strips	4,401	4,620	+5.0%	-2.4%
(d)	Microbiological test reagents	4,312	4,501	+4.4%	-5.5%
(e)	Biochemical test reagents	575	573	-0.4%	-1.1%
(f)	Equipment/food and environment-related	1,961	1,960	-0.1%	+2.7%
(g)	Molecular test-related (including devices)	2,625	1,980	-24.6%	-10.4%
(h)	Medical devices and others (excluding Molecular test-related devices)	4,464	4,362	-2.3%	+14.5%
	Total sales	40,052	40,539	+1.2%	+0.8%

*Unit: million yen. Forecasts are ratios to the earnings forecasts announced in October 2024.

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Trend of sales by product group (unit: million yen)



<Increased in sales>

- Fecal immunochemical test (FIT) reagents
- Immunochemical and serological reagents (excluding FIT)
- Urinalysis test reagents
- Microbiological test reagents

<Decreased in sales>

- Biological test reagents
- Equipment/food and environment-related
- Molecular test-related (including devices)
- Medical devices and others (excluding Molecular test-related devices)

(3) Overseas trends

	FY 3/24	FY 3/25	YoY	Compared with the forecasts
Overseas sales	10,115	10,710	+5.9%	-0.6%
North America	1,959	2,427	+23.9%	+6.5%
Europe	3,929	4,047	+3.0%	-10.0%
Asia, Oceania, others	4,227	4,235	+0.2%	+5.9%

*Unit: million yen. Forecasts are ratios to the earnings forecasts announced in October 2024.

*Europe

Sales grew, but fell below the forecast.

The sales of fecal immunochemical test (FIT) reagents and tuberculosis tests (TB-LAMP) for developing countries increased.

* North America

Sales increased, exceeding the forecast.

Sales rose, due to the growth of demand as the age range subject to fecal occult blood tests broadened.

*Asia, etc.

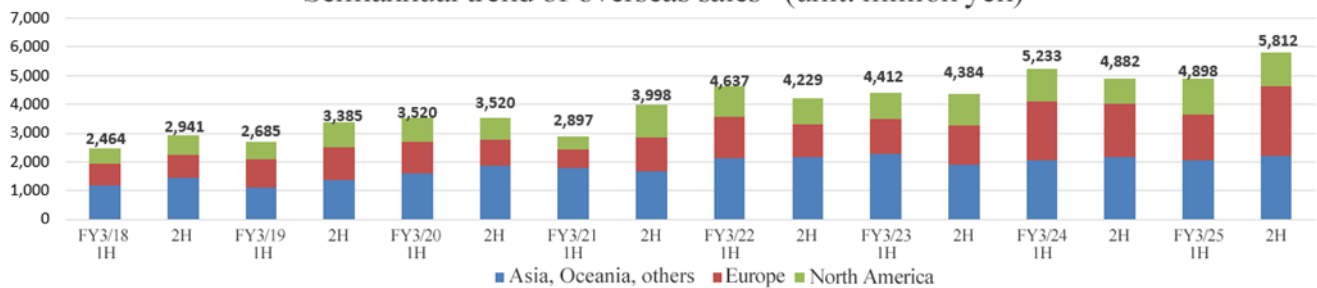
Sales rose, exceeding the forecast.

The sales in China and South Korea decreased, but it was covered by the sales in other countries.

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Semiannual trend of overseas sales (unit: million yen)



(4) Financial position

◎ Major BS

	End of March, 2024	End of March, 2025	Increase/ Decrease		End of March, 2024	End of March, 2025	Increase/ Decrease
Current assets	37,851	31,532	-6,319	Current liabilities	11,351	14,376	+3,025
Cash and deposits	16,308	9,873	-6,435	Notes and accounts payable trade	7,407	8,489	+1,082
Notes and accounts receivable-trade	12,482	11,740	-742	Noncurrent liabilities	4,329	4,397	+68
Inventory	8,097	8,499	+402	Corporate bonds	3,000	3,000	0
Noncurrent assets	23,799	30,840	+7,041	Total liabilities	15,680	18,773	+3,093
Property, plant and equipment	17,005	22,121	+5,116	Net assets	45,971	43,598	-2,373
Intangible assets	792	670	-122	Retained earnings	35,801	34,700	-1,101
Investment and other assets	6,001	8,048	+2,047	Treasury stock	-5,686	-6,756	-1,070
Total assets	61,651	62,372	+721	Total liabilities and net assets	61,651	62,372	+720

*Unit: million yen. Accounts receivable includes electronically recorded monetary claims, and accounts payable includes electronically recorded debt.

Total assets grew 700 million yen from the end of the previous fiscal year to 62.3 billion yen, as property, plant and equipment (construction in progress) increased through the construction of new research buildings, while cash and deposits and notes and accounts receivable-trade decreased.

Total liabilities rose 3 billion yen from the end of the previous fiscal year to 18.7 billion yen, due to the augmentation of notes and accounts payable trade, etc.

Net assets decreased 2.3 billion yen from the end of the previous fiscal year to 43.5 billion yen due to a decrease in retained earnings, an increase in treasury stock, etc.

As a result, equity ratio decreased 4.7 points from the end of the previous fiscal year to 69.3%.

3. Fiscal Year Ending March 2026 Earnings Estimates

(1) Estimate of consolidated results

	FY 3/25	Share	FY 3/26 (Est.)	Share	YoY
Sales	40,539	100.0%	42,200	100.0%	+4.1%
Domestic	29,829	73.6%	30,150	71.4%	+1.1%
Overseas	10,710	26.4%	12,050	28.6%	+12.5%
Gross profit	16,512	40.7%	17,050	40.4%	+3.3%
SG&A	13,512	33.3%	13,800	32.7%	+2.1%
Operating income	2,999	7.4%	3,250	7.7%	+8.3%
Ordinary income	3,198	7.9%	3,100	7.3%	-3.1%
Net income	2,228	5.5%	3,770	8.9%	+69.2%

*Unit: million yen.

Sales and profit are expected to grow.

Sales are expected to grow 4.1% year on year to 42.2 billion yen and operating income is projected to rise 8.4% year on year to 3.2 billion yen.

It is expected that domestic sales will be almost unchanged year on year, but overseas sales of fecal immunochemical test (FIT) reagents will keep growing.

They plan to pay a dividend of 58.00 yen/share, up 5.00 yen/share year on year. The expected payout ratio is 49.8%.

(2) Outlook for sales of each product group

Product Group	FY 3/25	FY 3/26 (Est.)	YoY
Fecal immunochemical test (FIT) reagents	12,941	13,640	+5.4%
Immunological and serological reagents (excluding FIT reagents)	9,599	9,680	+0.8%
Urinalysis test strips	4,620	4,740	+2.6%
Microbiological test reagents	4,501	4,900	+8.8%
Biochemical test reagents	573	610	+6.3%
Equipment/food and environment-related	1,960	1,860	-5.1%
Molecular test-related (including devices)	1,980	2,440	+23.2%
Medical devices and others (excluding Molecular test-related devices)	4,362	4,330	-0.7%
Total sales	40,539	42,200	+4.1%

*Unit: million yen.

4. New Medium-term Management Plan “Challenges to Innovation”

A new medium-term management plan has been formulated, covering the three-year period from the fiscal year ending March 2026 to the fiscal year ending March 2028.

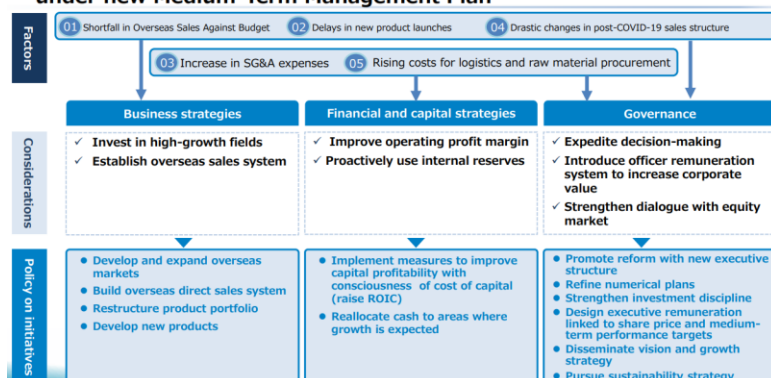
4-1 Review of the Previous Medium-term Plan

The targets set in the previous medium-term management plan for the fiscal year ended March 2025 were net sales of 43.5 billion yen, an operating income of 6.25 billion yen, an operating income margin of 14.4%, and an ROE of 9.2%. The actual financial results were net sales of 40.5 billion yen, an operating income of 2.9 billion yen, an operating income margin of 7.4%, and an ROE of 5%.

While external factors such as the sharp decline in demand for COVID-19 test reagents and rising logistics and raw material procurement costs had an impact, the more significant factors were internal ones, such as "the failure to attain target overseas sales, which are a growth driver" and "the delay in release of new products."

In response, the company has organized the key issues to address under the new medium-term management plan into three categories: business strategies, financial and capital strategies, and governance. Specific action policies have been set for each category.

Issue arrangement and policy for initiatives under new Medium-Term Management Plan



(Source: EIKEN CHEMICAL)

4-2 Outline of the New Medium-term Management Plan

(1) Overview

The slogan is set as “Challenges to Innovation —Pursue challenge of thorough reform to reinforce earnings strength—.”

The entire company will unite to take on the challenge of transformation.

(2) Overview of each strategy

1) Business Strategy

The basic policies are “development and expansion of overseas markets,” “restructuring of the product portfolio,” and “development of new products.”

The objectives and specific initiatives for each area are as follows.

◎ Development and Expansion of Overseas Markets

Focus will be placed on the global distribution of fecal immunochemical (FIT), tuberculosis testing (TB-LAMP), and immunoserological latex reagents. They aim to achieve overseas sales of 15.1 billion yen in the fiscal year ending March 2028.

Region	Sales (FY 3/25)	Sales (FY 3/28)	CAGR	Business Environment and Initiatives
USA	243.0	326.0	+10.3%	<u>Fecal Immunochemical (FIT)</u> Expansion of target age groups Proactive entry into the South American market Launch and expansion of calprotectin <u>Immuno-serological Testing</u> Distribution of reagents for veterinary use and establishment of a direct sales structure
EMEA	428.3	670.0	+16.1%	<u>Fecal Immunochemical (FIT)</u> Expansion of target age groups in each country Improvement in screening rate Adoption in Eastern Europe, the Middle East, and African countries <u>Tuberculosis Testing (TB-LAMP)</u> Business expansion in African countries
APAC	399.7	514.0	+8.8%	<u>Fecal Immunochemical (FIT)</u> Promotion of the switch to FIT in Southeast Asia <u>Tuberculosis Testing (TB-LAMP)</u> Business expansion in China, India, and Indonesia <u>Latex Reagents</u> Product expansion through collaboration with leading local companies.
Total	1071.0	1510.0	+12.1%	-

*Unit: million yen. CAGR was calculated by Investment Bridge.

*Fecal Immunochemical (FIT)

In the United States, the minimum age of subjects for screening is expected to be lowered to 45, which would increase the eligible population by approximately 20 million people.

In England, the minimum age of subjects is forecast to be lowered to 50, increasing the eligible population by approximately 3 million. In Australia, the minimum age of subjects is projected to be lowered to 45, increasing the eligible population by approximately 1.6 million. In addition to the expansion of eligible populations in each country, the number of countries that have adopted the test is also expected to increase.

The company anticipates a significant rise in testing demand and is forecasting overseas sales of fecal occult blood tests to reach 8.2 billion yen in the fiscal year ending March 2028, representing a CAGR of 8% from the fiscal year ended March 2019.

*Tuberculosis Testing (TB-LAMP)

The estimated annual number of tuberculosis tests that should be conducted is approximately 82 million, while the actual number of tests performed is around 62.5 million. Of these, only about 41 million are molecular tests. The United Nations and WHO are promoting a policy to shift tuberculosis testing from conventional microscopy to more accurate molecular testing.

Under these circumstances, Nigeria is expanding the adoption of TB-LAMP. In Indonesia, which has one of the world's highest tuberculosis burdens and is implementing tuberculosis control measures as a national initiative led by the president, there are efforts to imitate the Nigeria model in line with the direction set by the United Nations and WHO.

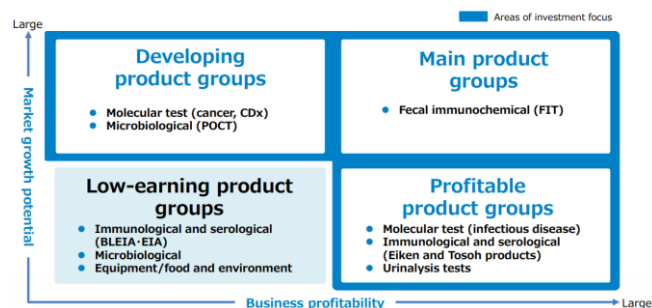
Currently, TB-LAMP holds a market share of less than 10%, indicating significant growth potential.

The company is aiming to achieve zero missed tuberculosis cases through test advancement, greatly improve access to testing, and contribute to tuberculosis containment.

© Restructuring of the Product Portfolio

The company has classified its product lineup into four categories based on two factors: market growth potential and business profitability.

Investment will be focused on group of main products, profitable products, and developing products. For group of low-earning products, the policy will shift from “review and consideration” to “liquidation and withdraw.”



(Source: EIKEN CHRMICAL)

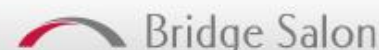
Priority products are as follows.

* Fecal Immunochemical (FIT)

Policy: Leverage their overwhelming evidence and market share to enhance added value through new technologies and increase new customers.

Basic Strategy	Actions under the New Medium-term Plan
<ul style="list-style-type: none"> Expand opportunities for FIT screening Improve diagnostic accuracy and maximize the value of endoscopic examinations through high-precision screening 	<ul style="list-style-type: none"> Secure new screening programs in the Middle East, Central Asia, and Africa (from 52 countries in fiscal year ended March 2025 to 61 countries in fiscal year ending March 2028) Expand the domestic postal screening market by utilizing the new stool collection container Expand sales of calprotectin testing for inflammatory bowel disease using the same stool collection container as FIT Accelerate the development of FIT+ (fecal gene testing) Double production capacity with the start of operations at the new manufacturing facility

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FIT+ is a new test item and technology designed to complement FIT, aiming to improve the precision and accuracy in colorectal cancer screening.

*Microbiological Testing (POCT)

Basic Strategy	Actions under the New Medium-term Plan
<ul style="list-style-type: none"> Optimize sales channels Invest in and develop high-sensitivity POCT 	<ul style="list-style-type: none"> Strengthen the sales structure targeting the general practitioner market (domestic) Develop respiratory infection testing items (in collaboration with companies such as Nanotis) Establish a sales structure through the U.S. base

*Molecular Testing

Basic Strategy	Actions under the New Medium-term Plan
<ul style="list-style-type: none"> Secure competitiveness through differentiation (Cancer/CDx) Obtain Global Fund budgets (infectious diseases) 	<ul style="list-style-type: none"> Expand MINtS testing items (from 3 items to 8 items for lung cancer) Promote the spread and adoption of tuberculosis testing in India and African countries (from 8 countries in fiscal year ended March 2025 to 13 countries in fiscal year ending March 2028) Establish a stable supply system for tuberculosis test reagents and reduce manufacturing costs

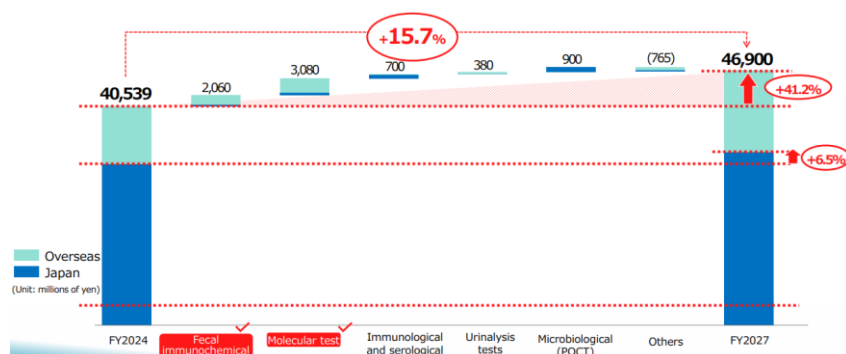
*Urinalysis

Basic Strategy	Actions under the New Medium-term Plan
<ul style="list-style-type: none"> Expand their share in the global market Pursue cost reduction and productivity improvement 	<ul style="list-style-type: none"> Acquire new global customers through collaboration with Sysmex Consolidate production sites for urinalysis test strips (Uropaper and Uropaper Alpha) and reduce manufacturing costs

*Immuno-serological Testing

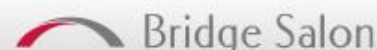
Basic Strategy	Actions under the New Medium-term Plan
<ul style="list-style-type: none"> Expand the biochemical and immuno-transport system Strengthen the veterinary testing business in the United States 	<ul style="list-style-type: none"> Promote sales in collaboration with Hitachi High-Tech Corporation and Tosoh Corporation (domestic) Launch new and improved products in the cardiovascular and oncology fields (domestic) Expand veterinary testing reagents and establish a direct sales structure in the United States

The sales targets and growth rates for each product category for the fiscal year ending March 2028 are as follows. The company aims to drive growth through the expansion of fecal immunochemical (FIT) and molecular test (LAMP) products in overseas markets.



(Source: EIKEN CHRMICAL)

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(Sales targets and growth rates for each product group)

Product Group	Actual Results (FY 3/25)	Target (FY 3/28)	Growth Rate (vs FY 3/25)	CAGR
FIT	12,941	15,000	+15.9%	+5.0%
Molecular Testing	1,980	5,100	+157.6%	+37.1%
Microbiology (POCT)	797	1,700	+113.3%	+28.7%
Urinalysis	4,620	5,000	+8.2%	+2.7%
Immuno- serological Testing	9,599	10,300	+7.3%	+2.4%
Total	40,539	46,900	+15.7%	+5.0%

*Unit: million yen. CAGR is calculated by Investment Bridge.

◎ Development of New Products

New product releases are being prepared in the areas of fecal immunochemical tests, immune-serological testing, and molecular testing.

*Fecal Immunochemical Test (FIT)

A successor model to the large-scale fecal immunochemical test analyzer will be launched to maintain the largest market share and further develop and expand overseas markets.

*Immuno-serological Testing

Competitiveness in the domestic market will be strengthened by adding new test items for cardiovascular diseases and cancer to the company's own latex reagent lineup.

*Molecular Testing

The number of MINtS lung cancer testing items will be expanded from three to eight. In addition, new items such as Chagas disease will be added in the field of neglected tropical diseases (NTDs). The company aims to contribute to the advancement of personalized medicine and the control of NTDs.

2) Financial and Capital Strategies

In the new medium-term management plan, the company will significantly increase strategic investments from 900 million yen in the previous plan to over 5 billion yen, funded through the use of borrowings and asset sales to generate cash.

The company is also focusing on improving ROIC, targeting an increase from 5.2% in the fiscal year ended March 2025 to 8.1% in the fiscal year ending March 2028. To strengthen profitability and capital efficiency, ROIC management will be thoroughly implemented. The company will clearly communicate ROIC tree-based targets and initiatives across all levels of the organization and externally, while enhancing its management systems to further improve corporate value.

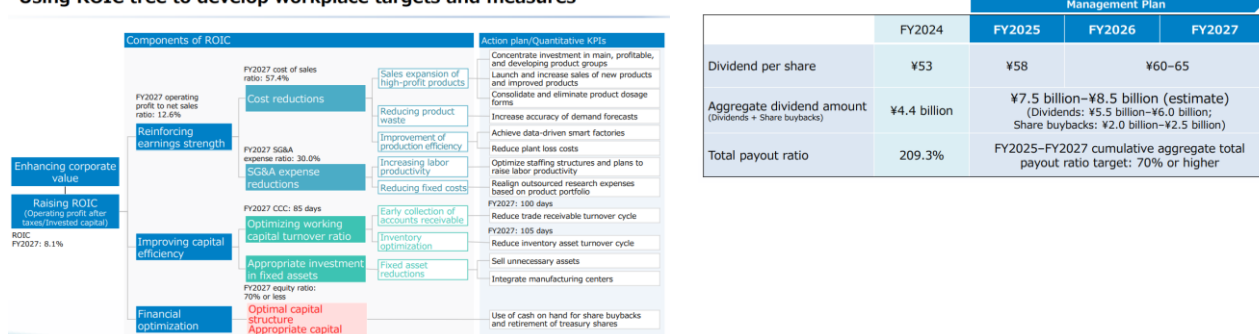
Regarding shareholder returns, the company has revised its shareholder return target from “a consolidated dividend payout ratio of 30% or higher” to “a total return ratio of 50% or higher,” which includes dividends and share buybacks, in order to further strengthen shareholder returns.

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(Source: EIKEN CHRMICAL)

Using ROIC tree to develop workplace targets and measures



(Source: EIKEN CHRMICAL)

3) Governance

* Driving Transformation Through a New Executive Structure

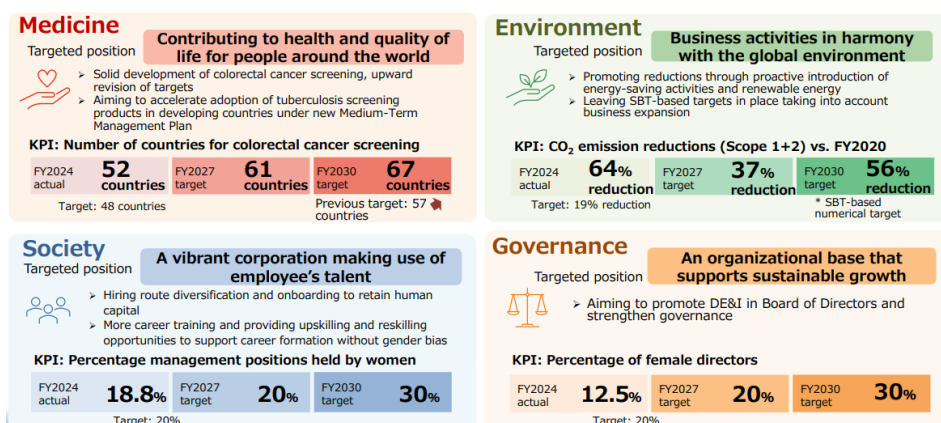
To realize the goals of “EIKEN ROAD MAP 2030,” the company has revamped its executive structure.

Mr. Yuji Segawa (currently head of the President’s Office), who joined the company in 2013 after working at Sony Corporation and has served as General Manager of the Applied Technology Research Institute and Head of the Marketing Division, is scheduled to be appointed Representative Executive Officer, President and Director following approval at a general meeting of shareholders and subsequent board resolution in late June 2025.

At the same time, the company will promote organizational rejuvenation, introduce new perspectives and agility, and accelerate decision-making by replacing six out of ten executive officers. The mission is to accelerate product development, strengthen global expansion initiatives, refine business planning, and enhance investment discipline.

* Promotion of Sustainability Strategy

In the areas of healthcare, environment, society, and governance, the company has defined its vision, material issues, and KPIs, aiming to contribute to solving social issues and achieving sustainable growth by meeting these targets.



(Source: EIKEN CHRMICAL)

(3) Performance Targets

In addition to promoting these business strategies, the company will strengthen its supply system and improve production efficiency for core product groups by consolidating production sites. The target is to achieve net sales of 46.9 billion yen, an operating income of 5.9 billion yen, and an operating margin of 12.6% in the fiscal year ending March 2028.

With respect to capital efficiency, financial and capital policies will be implemented to achieve an ROE of 9.3% in the fiscal year ending March 2028. The company will also focus on building the foundation necessary to reach the ROE target of 15% set forth in “EIKEN ROAD MAP 2030.”

	FY 3/25 (Result)	Ratio to net sales/profit margin	FY 3/26 (Forecast)	Ratio to net sales/profit margin	FY 3/28 (Target)	Ratio to net sales	Change	CAGR
Net sales	40,539	100.0%	42.2	100.0%	46.9	100.0%	+15.7%	+5.0%
Domestic	29,829	73.6%	30.15	71.4%	31.8	67.8%	+6.6%	+2.2%
Overseas	10,71	26.4%	12.05	28.6%	15.1	32.2%	+41.0%	+12.1%
Operating income	2,999	7.4%	3.25	7.7%	5.9	12.6%	+96.7%	+25.3%
Net income	2,228	5.5%	3.77	8.9%	4.2	9.0%	+88.5%	+23.5%
ROE	5.0%	-	8.8%	-	9.3%	-	+4.3pt	-
ROIC	5.2%	-	5.1%	-	8.1%	-	+2.9pt	-

*Unit: million yen. The change figures represent comparisons with fiscal year ended March 2025. CAGR was calculated by Investment Bridge.

Operating income margin is expected to improve by 5.2 percentage points compared to the fiscal year ended March 2025, absorbing the impact of rising logistics and raw material procurement costs.

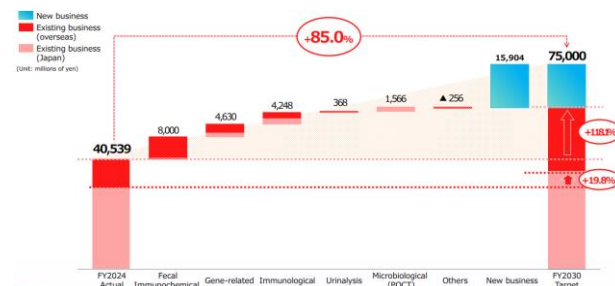
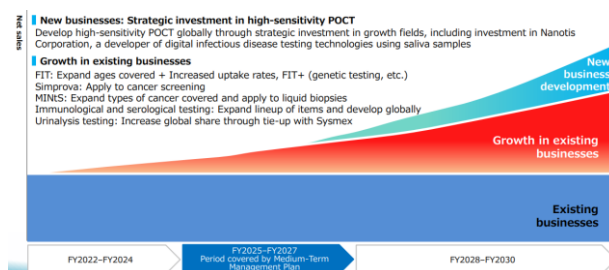
In addition to the sales growth of high-margin product groups outlined in the business strategy, the company plans to improve the cost of sales ratio by 2.0 percentage points through the liquidation and withdrawal of low-earning product groups, Consolidation and elimination of product dosage forms, improvement in demand forecasting accuracy, reduction of factory loss costs, and integration into Nogi Plant. The ratio of SGA expenses is expected to improve by 3.2 percentage points through measures such as optimizing contract research expenses based on the product portfolio and improving labor productivity through workforce restructuring and optimized staffing plans.

4-3 Growth Strategy Toward the Long-Term Vision

(1) Overview of the Growth Strategy

To achieve “EIKEN Vision 2030,” which defines the company’s ideal state in 2030 under “EIKEN ROAD MAP 2030,” the company will promote both the growth of existing businesses that form the revenue base and strategic investments in new businesses, including partnerships with Nanotis.

In existing businesses, the key driver will be the development of overseas markets, particularly focusing on fecal immunochemical tests.



In EIKEN Vision 2030, the company has set up three priority business areas: contribution to cancer prevention and treatment, contribution to infectious disease eradication and control, and provision of comprehensive healthcare systems.

In the cancer field, the company will further focus on areas directly linked to treatment and aims to become a leading company in cancer screening and diagnosis, while also establishing a strong brand in gastrointestinal cancer testing.

In the infectious disease field, the company will work to establish simpler testing technologies. Given the likelihood of future pandemics like COVID-19, the company is committed to building a rapid response system for emerging infectious diseases (the 100-Day Mission) and providing testing solutions for all types of infectious diseases.

In the healthcare field, the company will work to expand products and services compatible with telemedicine and home testing. Specific focus areas include solutions that improve quality of life (QOL), point-of-care and mobile testing that can be conducted anywhere, unconscious monitoring, and preventive testing that contributes to health prediction.

(2) Key Focus Investments

The company will actively pursue the following investments:

◎ Colorectal Cancer Screening

The company will pursue added value in stool collection containers and aim to establish the EIKEN brand in colorectal cancer screening.

In Stage 1 until 2025, the focus has been on adapting sample transportation under high-temperature conditions. In Stage 2 until 2030, the goal is to build systems for early detection of precancerous lesions through high-precision colorectal cancer screening. In the future, the company aims to promote the global adoption of FIT+.

◎ New Developments for the Simprova Platform

“Simprova,” a compact, fully automated molecular testing system using the LAMP method and multi-item test chips, began clinical evaluation for breast cancer in Stage 1 until 2025. By 2028, the company plans to expand the platform to include leukemia testing and aims to further expand the lineup to cover infertility and dementia by 2030.

The company seeks to establish Simprova as a platform capable of covering cancer, infectious diseases, and healthcare through the development of cancer molecular tests and entry into the healthcare market.

◎ Development and Provision of Cancer Molecular Testing (MINtS)

“MINtS,” a multi-gene mutation investigating system using next-generation sequencing, was approved for insurance coverage in December 2024, and contract testing has started.

By 2025, the company plans to introduce MINtS to 20 leading advanced medical institutions in Japan. By 2027, the system will be expanded to other facilities participating in the Northeast Japan Study Group (NEJSG), targeting adoption at 200 facilities nationwide. By 2030, the company aims to expand the lineup of test items and achieve nationwide rollout.

Initial efforts will focus on strengthening lung cancer testing, with plans to expand to additional cancer types and apply liquid biopsy to further contribute to cancer treatment.

◎ Investment Strategy in Nanotis Corporation

In October 2024, the company made its first strategic investment in Nanotis Corporation, a venture from the University of Tokyo engaged in the research and development of next-generation digital infectious disease testing devices using saliva.

The company’s core technology, the patented “NANOTIS Method: Nucleic Acid Navigated Optically Traceable Immuno Sensing,” is the world’s first platform to integrate the concept of “concentration” using dielectrophoresis into detection technology. This innovative next-generation platform has the potential to be applied to a wide range of biological particles, including infectious diseases.

The two companies are currently collaborating on product development with the goal of manufacturing and distributing next-generation test kits that are accessible anytime, anywhere, for everyone.

5. Conclusions

The previous medium-term management plan set the goal of achieving “sales of 43.5 billion yen, an operating income of 6.25 billion yen, and an operating income margin of 14.4%, and an ROE of 9.2% in fiscal year ended March 2025.” Unfortunately, the results were “sales of 40.5 billion yen, an operating income of 2.9 billion yen, an operating income margin of 7.4%, and an

ROE of 5.0%,” falling below the goal. Major factors in the failure to achieve the goal are external factors, such as the steep decrease in demand for reagents for COVID-19 testing and the augmentation of distribution and material procurement costs, and internal factors, such as “the failure to attain target overseas sales, which are a growth driver” and “the delay in release of new products,” which affected performance significantly.

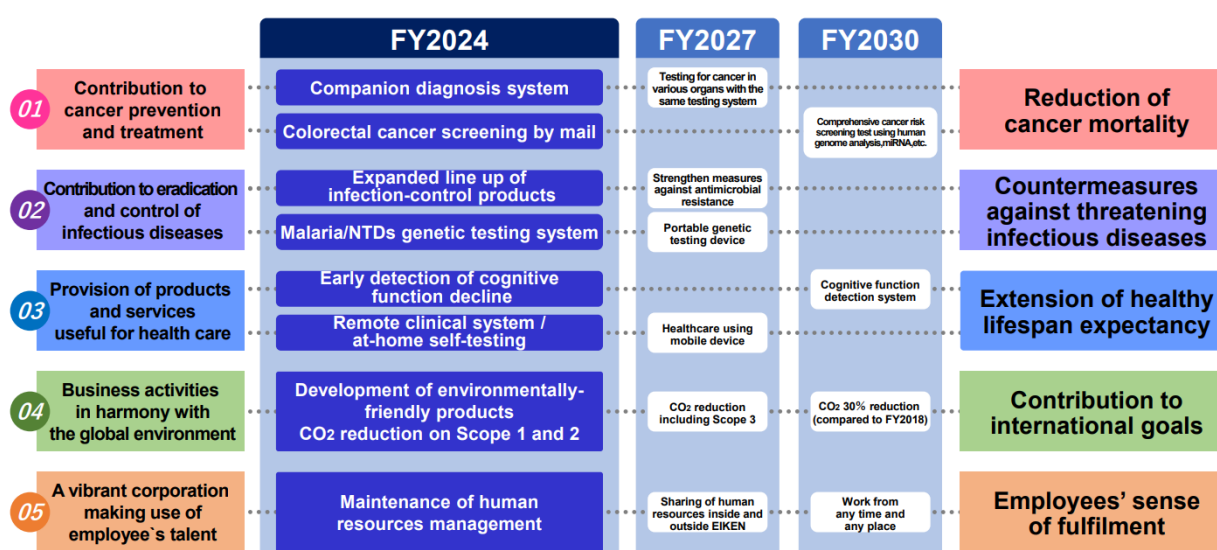
We would like to pay attention to how they will tackle these issues under the new management structure with the new medium-term management plan “Challenges to Innovation.” Investment Bridge plans to interview Mr. Yuji Segawa, who will be appointed as new president, for the next report.

<Reference 1 : “EIKEN ROAD MAP 2030”>

To respond to the unfolding changes in its business environment and operate from a perspective of sustainability management, the company revamped its existing management framework “EIKEN ROAD MAP 2019” and redefined it as “EIKEN ROAD MAP 2030” with 2030 as the target year for its fulfillment.

The EIKEN Vision 2030 clarifies the group’s vision for 2030 and sets forth **Beyond the Field ~Team × Challenge~** as its slogan.

Each employee enhances their own abilities and expands the areas in which they can play an active role and creates new possibilities by bringing together the enhanced individual power beyond the boundaries and taking on challenges as a team. In addition, the company will take a step forward from its current business domain, innovate medical processes, and create the future of testing.



(Source: EIKEN CHRMICAL)

(1)-1 Business strategy: the priority business fields

While the current domain remains as its core business, the company has also set three focus business areas: 1) Contribution to cancer prevention and treatment, 2) Contribution to the eradication and control of infectious diseases, and 3) Provision of products and services useful for health care.

1) Contribution to cancer prevention and treatment

The company has focused more on screening (prevention and early detection) so far, and especially for colorectal cancer it has built a global screening program, contributing to the reduction of mortality and the suppression of medical expenses through early detection.

On the other hand, selecting appropriate treatment is essential due to the significant medical expenses of cancer treatments. In addition to the prevention and early detection of cancer, to respond to these medical issues, the company aims to further reduce

the mortality rate from cancer by developing and providing a testing system that covers the selection of therapeutic drugs and the determination of treatment effectivity.

2) Contribution to the eradication and control of infectious diseases

As the countermeasures against threatening infectious diseases, the company will boost its product line-up and develop global molecular testing systems for tuberculosis, malaria, etc. In addition, by developing a simpler, faster, and more accurate infectious disease diagnosis system that can be used by anyone anywhere, the company wants to contribute to increasing access to medical care.

3) Provision of products and services useful for health care

To extend healthy lifespan expectancy, the company will expand remote clinical system and at-home self-testing areas and develop them into healthcare using mobile device. Ultimately, it aims to develop a monitoring system that can notify users of their health conditions around the clock even if they are not conscious of it.

(1)-2 Advancement of Sustainable Management

The company will promote sustainable management with setting their management strategies on business activities in harmony with the global environment and a vibrant corporation making use of employee's talent.

The company believes being a vibrant corporation making use of employee's talent will be the growth driver.

To realize a sustainable society, 11 materialities to be prioritized were identified, and specific action plans were put in place. Through resolving social issues, the company will aim to achieve the further enhancement of corporate value and the realization of a sustainable society.

Materialities and KPI in detail: <https://www.eiken.co.jp/sustainability/eiken#03>

(1)-3 Objectives

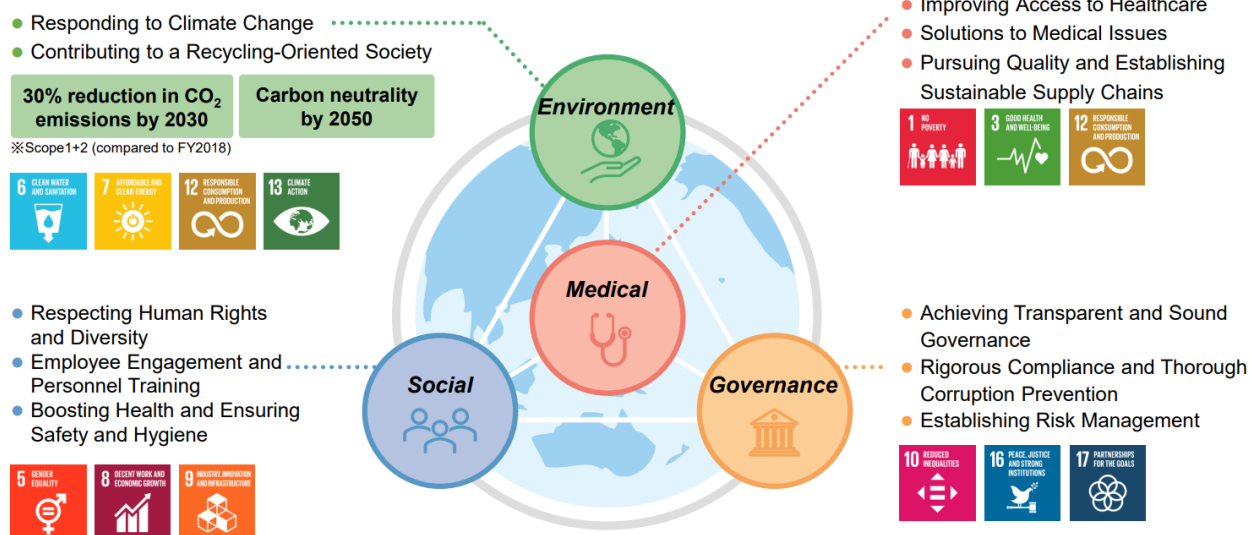
1) Financial targets

For the fiscal year ending March 2031, the company aims to achieve “sales of 75 billion yen, an operating income margin of 20% or higher, a ratio of overseas sales of 40% or higher, and an ROE of 15% or higher.”

2) Non-financial targets

As a company protecting the health of people worldwide, it is addressing issues not only of health care but also of the environment, society, and governance. For each materiality, it sets key performance indicators (KPIs) and monitors its progress toward achieving them. In addition to tracking its performance on the KPIs, the company reflects this performance in its evaluation of Executive Officers' performance and in their remuneration.

Materialities and KPI in detail: <https://www.eiken.co.jp/sustainability/eiken#03>



(Source: EIKEN CHRMICAL)

<Reference 2: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization Type	Company with a nominating committee and others
Directors	8, including 5 outside ones (Including 1 female)
Nominating Committee	3, including 2 outside ones
Compensation Committee	3, including 2 outside ones
Audit Committee	4, including 3 outside ones (Including 1 female)

◎ Corporate Governance Report

Last updated: submitted on June 27, 2024

<Basic Policy>

Our policy for corporate governance is based on our management philosophy, management vision, and motto.

*Management philosophy

We protect the health of people through healthcare services.

*Management vision

In order to protect the health of people, EIKEN Group offers reliable products and services as a pioneer in checkups, to improve its corporate value.

*Motto

“EIKEN” winning trust with quality and growing with technology

To improve our corporate value by enhancing the soundness, speed, and transparency of our business administration, we are enriching our corporate governance while emphasizing the viewpoint of shareholders and recognizing it as an important managerial mission.

Our company has adopted a corporate structure that has a nominating committee, separating the business execution function and the supervisory function of the management. Important items regarding the basic policy for business administration are determined through the deliberation of the board of directors, and business execution is conducted swiftly and smoothly under the appropriate chain of command, in accordance with our in-company regulations and rules.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

The company has implemented every principle detailed in the Corporate Governance Code.

Disclosure Based on Each Principle of the Corporate Governance Code (Excerpts)

Principles	Disclosure content
[Principle 1-3 Objective of Capital Policy]	Our company's basic capital policy is to improve capital efficiency and provide sustainable and stable shareholder returns to maintain and increase shareholder value. With respect to shareholder returns, the board of directors discusses it as one of policies that would contribute to the improvement in our corporate value, taking into consideration the enrichment of internal reserves necessary for strengthening our financial position and aggressive business operation. When implementing capital policies (including capital increase, MBO, etc.) that would result in a change in control or significant dilution, the Board of Directors will fully discuss the necessity and rationality of the policy and ensure that appropriate procedures are followed. In addition, we will make efforts to provide sufficient explanations to shareholders and investors.
[Principle 1-4 Strategically Held Shares]	1. Policies on Strategic Holding of Listed Stocks Our basic policy is to hold shares of business partners only when we deem it reasonable to do so for the smooth promotion of business activities, maintenance of business relationships, business affairs, and capital alliances, and to continue to strategically hold these shares as long as we judge that they will contribute to the development of our business. To assess the value of holding these shares, the Board of Directors discusses annually whether the return (based on quantitative factors such as dividends and trading

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	<p>conditions, as well as a comprehensive assessment of importance in terms of management strategy and business relationships) is commensurate with the risk, in light of the cost of capital. We will sell off stocks that are deemed to have little benefit in holding, taking into consideration stock price trends and other factors. As for listed stocks, in the fiscal year 2023, as a result of discussions at the Board of Directors meeting held on April 28, 2023, we decided to continue to hold the shares in two companies.</p> <p>2. Standards for Exercising Voting Rights for Strategically Held Stocks</p> <p>Our company exercises the voting rights for strategically held shares based on a comprehensive judgment of factors such as the state of corporate governance of the company concerned, whether the proposal contributes to improving shareholder value, and the impact on our company.</p>
[Supplementary Principle 3-1(iii) Sustainability Initiatives]	<p>The company has been striving to solve various social issues through its business activities based on its management philosophy of “Protecting people's health through healthcare.” In order to more proactively promote sustainability throughout the Group, the company has formulated a Sustainability Policy and established a Sustainability Committee, chaired by the President and composed of executive officers in charge of each function and business group, to promote sustainability activities. The contents of the Sustainability Committee are reported to and supervised by the Board of Directors. Under the “EIKEN ROAD MAP 2030,” EIKEN identifies material issues and develops specific action plans to realize a sustainable society, and monitors the progress of these plans by setting indicators (KPIs).</p> <p>Information on the company's approach to sustainability, its policies, promotion system, and initiatives is disclosed on the company's website. (https://www.eiken.co.jp/sustainability/)</p> <p>Recognizing the risks posed by climate change to the financial market, the company endorsed the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) in February 2023 and has identified the risks and opportunities posed by climate change based on that framework. The company has also conducted scenario analyses of the financial impacts of the risks and opportunities identified and is furthering efforts to cope with climate change and disclosing information in line with the TCFD recommendations. (https://www.eiken.co.jp/sustainability/environment/weather/)</p> <p>Regarding investment in human capital, the company will promote personnel-focused management, create an environment that increases employees' motivation and fulfillment at work to let them bring forth their innovation, with the aim of achieving sustainable growth and steady profitability. Details are available on the company's website. (https://www.eiken.co.jp/sustainability/social/engagement/)</p> <p>Regarding investment in intellectual property, the company will steadily grow its existing businesses and allocate management resources to expanding the company's core technologies into peripheral businesses and developing new businesses through open innovation with external parties. Details are available on the company's website. (https://www.eiken.co.jp/rd/)</p>
[Principle 5-1 Objective Regarding Constructive Dialogue with Shareholders]	<p>Our company has established a Disclosure Policy approved by the Board of Directors, which discloses basic policies, information to be disclosed, information disclosure methods, the quiet period, etc. Our company has dialogues with shareholders to a reasonable extent to contribute to sustainable growth and medium/long-term improvement of corporate value.</p> <p>We have established a system in which the Sustainability Promotion Department manages IR, and the General Manager of the Corporate Administration Division who oversees the Sustainability Promotion Department, has been placed in the role of executive officer in charge of IR in an earnest effort to gain understanding and trust through dialogue with our shareholders and investors. The General Manager of the Corporate Administration Division concurrently oversees the Corporate Planning Department, the Accounting Department, the Human Resources Department, and other departments related to IR, and ensures close information sharing and collaboration among these departments.</p> <p>In terms of dialogue with shareholders, our company periodically holds a briefing</p>

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	<p>session for analysts and institutional investors, at which the Representative Director and President provides explanations and has dialogues with shareholders, and the materials used in the briefing are available on the company's website. Individual meetings with shareholders and investors are handled by the Sustainability Promotion Department. Senior executives of the management team are also available for interviews as necessary to a reasonable extent.</p> <p>Key opinions of shareholders and investors obtained through dialogue are regularly reported to the Board of Directors by the executive officer in charge of IR.</p> <p>Our company conducts dialogues with shareholders and investors in accordance with its Disclosure Policy, and in addition to taking sufficient care not to include insider information, our company has established internal rules in accordance with applicable laws and regulations, and manages information appropriately based on these rules.</p>
[Actions to achieve management conscious of cost of capital and stock price] [English version available]	<p>The company has set sales, overseas sales ratio, operating profit margin, and ROE as important management indicators in its management vision "EIKEN ROAD MAP 2030." For details of our measures for realizing business administration conscious of capital cost and share price, please refer to the material for the session for briefing results in fiscal year ended March 2024, which was disclosed on May 9, 2024.</p> <p>• Financial results briefing materials https://www.eiken.co.jp/ir/presentation.htm</p>
[Status of Dialogue with Shareholders, etc.]	<p>In accordance with "Principle 5-1: The policy for constructive dialogue with shareholders," the company holds semi-annual financial results briefings attended by the President and Chief Executive Officer and the relevant executive officer in charge, and the IR staff conduct a total of approximately 100 individual meetings per year with analysts and institutional investors in Japan and overseas.</p> <p>The main topics of dialogue with the shareholders include medium to long-term growth strategies and management conditions with an awareness of capital efficiency, in addition to a summary of financial results and earnings forecasts, and these topics are regularly reported to the Board of Directors by the executive officer in charge of IR.</p> <p>The company will strive to further enhance its corporate value by appropriately and effectively reflecting the knowledge gained through the above efforts in its management policies.</p>

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