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Supplementary Material on Financial Results for the Three Months Ended September 30, 2024

TAUNS Laboratories, Inc. (Code: 197A)

November 13, 2024

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Corporate Profile

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Corporate Profile

Corporate Name	TAUNS Laboratories, Inc.			
Representative	Masaki Nonaka, President and CEO			
Foundation Establishment	April 1987 April 2016 (* Date of establishment of current corporation due to reorganization of group)			
Head Office Location	761-1 Kamishima, Izunokuni-shi, Shizuoka 410-2325, Japan			
Capital	226 million (as of September 30, 2024)			
Officers (as of September 30, 2024)	President and CEO Director Director Director	Masaki Nonaka Yoshio Uchiyama Jumpei Nagai Masahiro Ito	External Director External Director Auditor External Auditor External Auditor	Toshinori Mishina Osamu Chiba Yoshitaka Endo Makiko Nakagawa Caroline F. Benton
Shareholder Composition (as of June 30, 2024)	Founding family: 28.9% Financial investors: 46.6% Others: 24.5%			
Business Scope	Development, manufacture, sales and export/import of in vitro diagnostics and research reagents Main products are antigen test kits to diagnose various infectious diseases			
Sales	18,434 million (FY2024)			
Employees	327 (as of September 30, 2024)			
Total Assets	29,178 million (as of September 30, 2024)			
Business Sites	Head Office/Kamishima Factory (Shizuoka), Shimizu-cho Office/R&D Center (Shizuoka), Tokyo Office			
Main Customers	SUZUKEN CO., LTD. and other companies			



Head Office/Kamishima Factory



Shimizu-cho Office/R&D Center

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Management Philosophy

**Through proprietary in vitro diagnostics, we will enrich lives and provide peace of mind.
In order to do so, we will accumulate technology and knowledge,
and continue to develop and improve our products.**

Peace of mind through diagnostic technology.

Normal days that pass you by.

Special moments that are extraordinary.

All of these are sustained by unwavering peace of mind.

With our proprietary diagnostic technologies,

TAUNS assists in the diagnosis and early detection of diseases.

Building a better outlook throughout the world

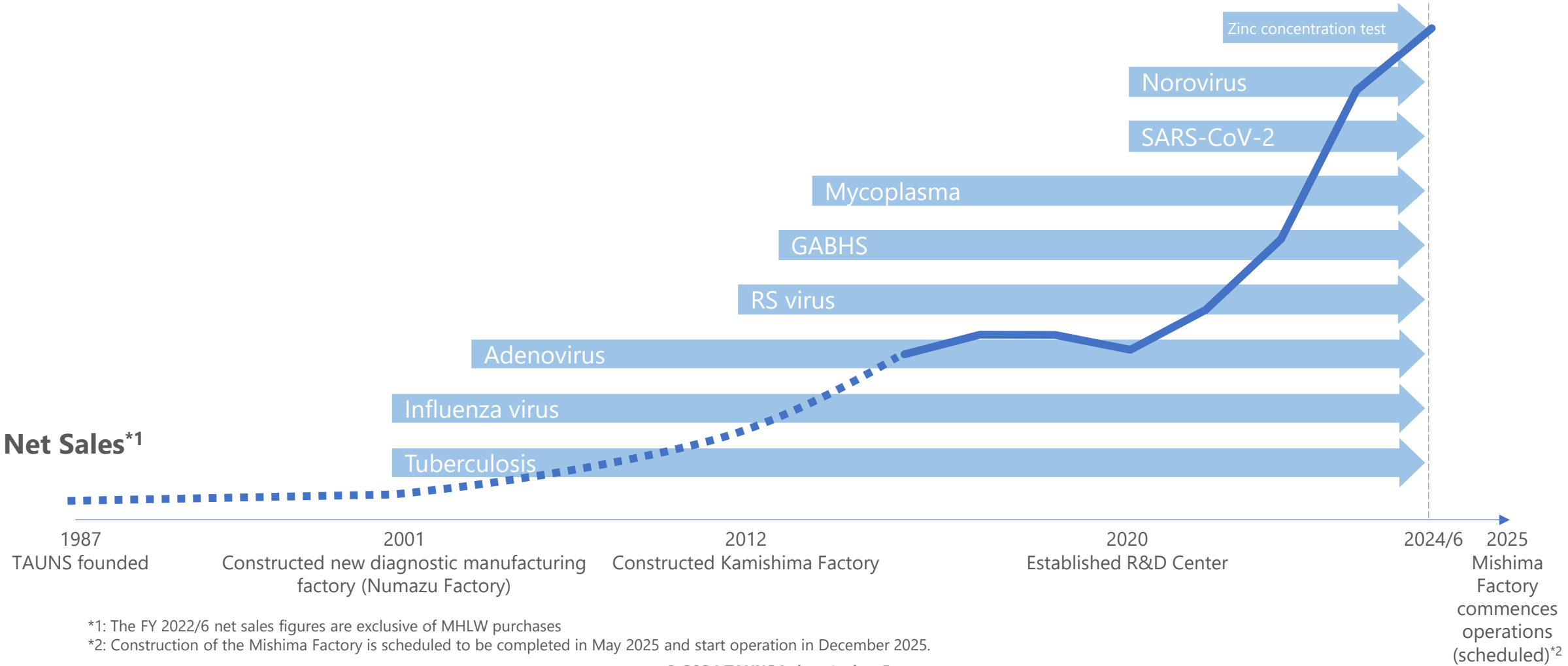
By relieving worries, one by one.

We continue to help you live your life every day without worry.

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Corporate History

- **Since the early 2000s, TAUNS has been expanding its extensive lineup of antigen tests.**
- **The Company has consistently strengthened its manufacturing and development capabilities to meet the increasing market demand, contributing to our sales growth.**



*1: The FY 2022/6 net sales figures are exclusive of MHLW purchases
*2: Construction of the Mishima Factory is scheduled to be completed in May 2025 and start operation in December 2025.

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Scope of Business

- **We mainly develop and manufacture antigen test kits for infectious disease clinical testing. Under the ImunoAce brand, TAUNS offers a range of products for various infectious diseases, including influenza viruses, adenoviruses, and SARS-CoV-2.**
- **Starting with a blood zinc concentration test, TAUNS is expanding into fields beyond infectious diseases such as chronic diseases. Its goal is to create a stable business model that is not susceptible to fluctuations in infectious disease outbreaks.**

Main Product Lines

Infectious Diseases Area



SARS-CoV-2
(released in 2020)



Influenza virus
(released in 2008)



SARS-CoV-2 /
Influenza virus
(released in 2022)



Adenovirus
(released in 2008)



GABHS
(released in 2013)



Mycoplasma
(released in 2015)



Norovirus
(released in 2020)



RS virus
(released in 2012)

Chronic Diseases Area

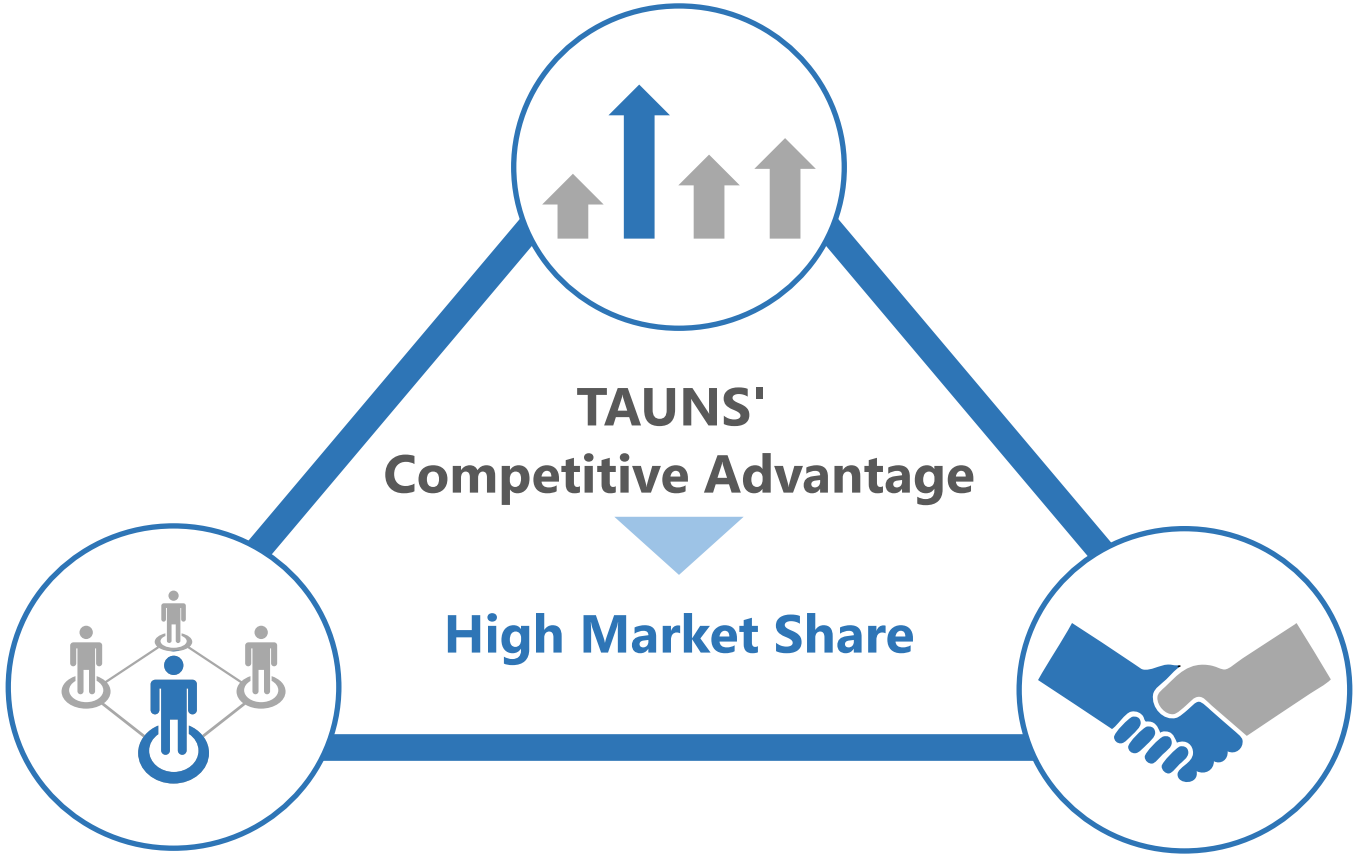


Zinc concentration test
(released in 2023)

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Our 3 Competitive Advantages Driving High Market Share

1. high product competitiveness



Robust system for repeatable development

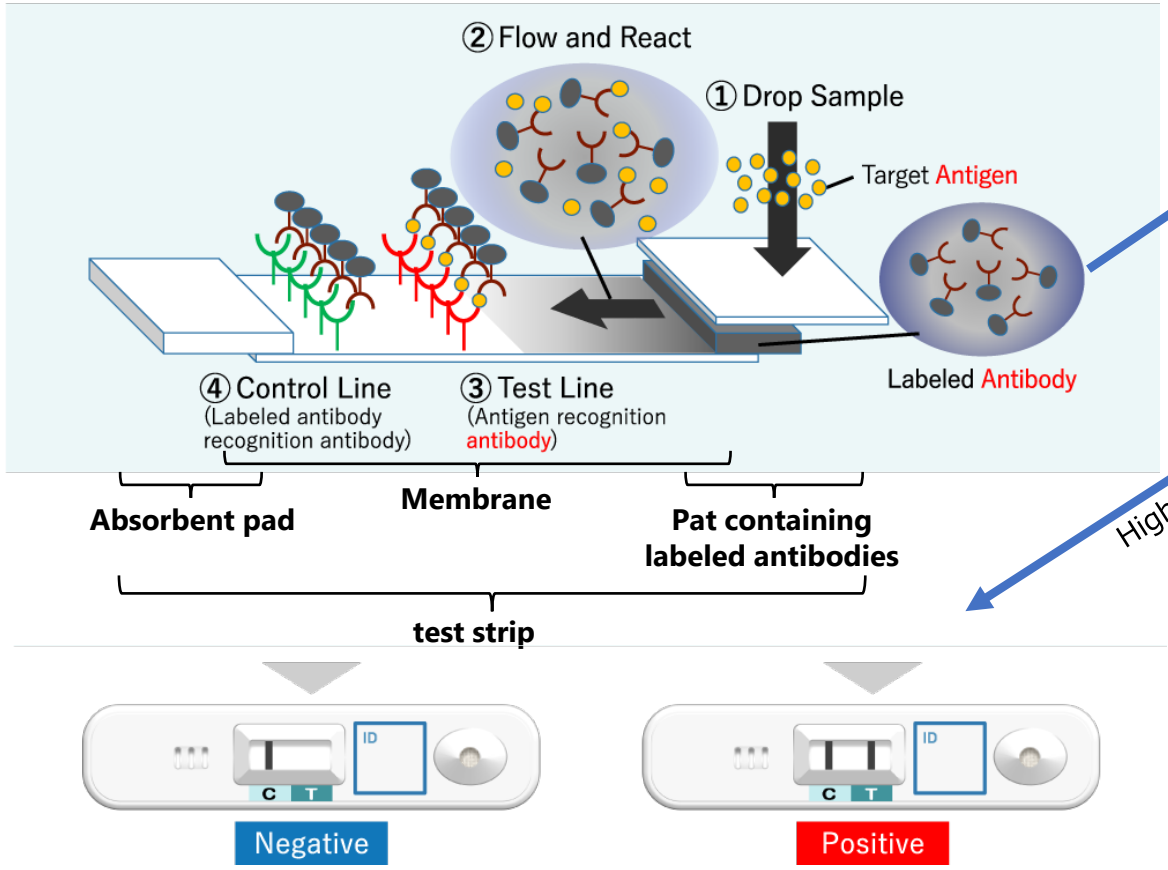
Efficient sales system

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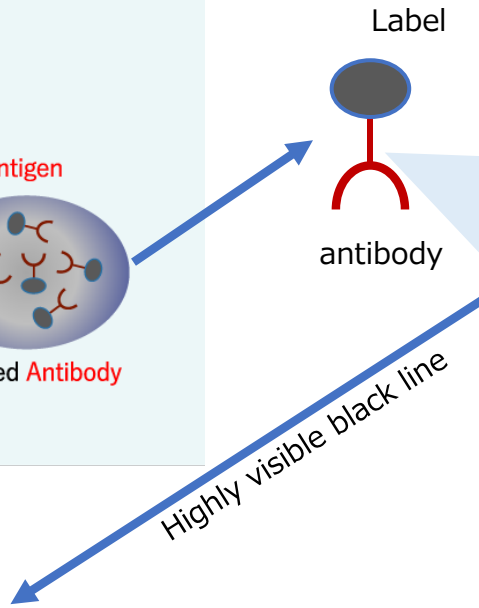
Principle of Antigen Test Kits and Strengths of Our Technology

- **High technological capabilities, including a track record in the development of numerous in-house antibodies (including patents) and proprietary platinum-gold colloid technology**
- **Utilizing our technological capabilities, we have developed high-quality products with both specificity and sensitivity. In addition, we supply products that are of high value to both the medical community and patients, such as those that enable the broad sharing of specimens among multiple infectious diseases.**

Principle of Antigen Test Kits



Our core technologies and product value-added



Our Core Technologies

Proprietary **platinum-gold colloid technology** to achieve highly **visible black lines** on black signage acquired technology to improve sensitivity while suppressing nonspecific reactions through many years of accumulated know-how

Possesses **advanced antibody development technology** and a wealth of experience and know-how

The creation of high-performance antibodies contributes significantly to the sensitivity and specificity of the kit

Specificity × Sensitivity

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Robust System for Repeatable Development

- **A development team with extensive business experience and advanced, diverse expertise leads development activities.**
- **Accumulated in-house knowledge from years of research and development, combined with insights from external sources, contributes to rapid and innovative development.**

Experienced and Accomplished Development Team

No. of R&D members

45 *1

Many members have been in the industry for a long time

Composed mainly of doctoral and master's students

×

Experience in development of antigen test

30+ years

With a history of industry-leading development

Accumulation of superior knowledge

Experienced Leaders / External Consultants

A wide range of expertise PJ leader layer with

It is not limited to the core antibody and nanoparticle synthesis technologies,

Extensive expertise in enzymatic and chemical reactions

×

Knowledgeable partner/KOL network

Collaboration with knowledgeable external advisors, collaborators, and joint research partners

Networking with KOLs

Extensive Development Achievements

- Pioneering achievements in developing 'world-first' products such as Capilia TB and MAC
- Successful development of proprietary technologies including platinum-gold colloid technology
- Numerous in-house antibody development successes (Antibodies to mycoplasma and tuberculosis bacteria are patented, and there are other antibodies pending patent application)

KOLs of collaborators, technical advisors and joint research partners

Dr. Ichiro Okura

Institute of Science Tokyo

Professor Emeritus

Dr. Satoshi Mitarai

Research Institute of Tuberculosis

Dept. of Mycobacterium Reference and Research

Director

Dr. Yoshihiro Kawaoka

Institutes for Advanced Study, The University of Tokyo

The UTOPIA center

Director

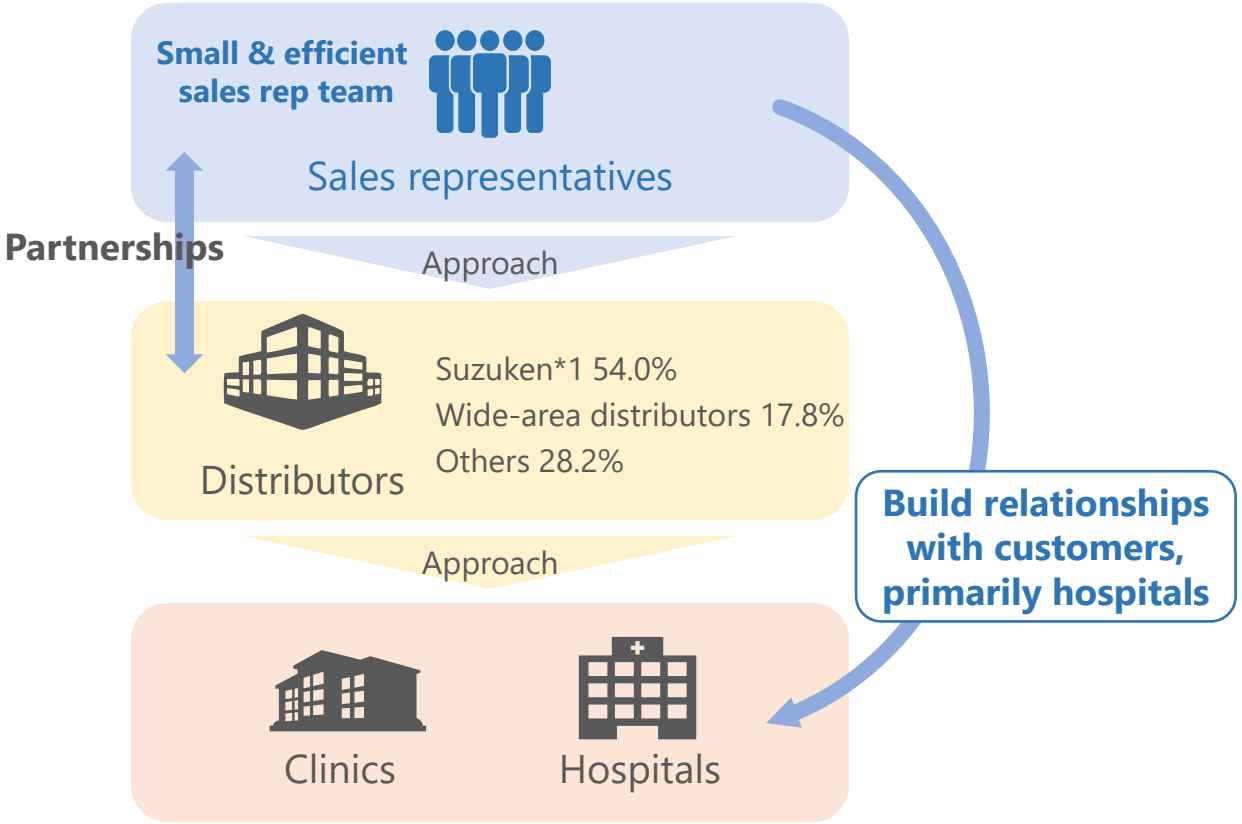
*1 Number of Fulltime Employees as of the end of June 2024

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Distribution and Sales Structure

- **A small number of elite sales representatives have established strong cooperative relationships with distributors. Top-class domestic market share for major infectious disease antigen test kits**
- **Through collaboration with Shionogi, we will provide a comprehensive solution for infectious disease control, from prevention to testing to treatment, and further strengthen our position in the domestic infectious disease POCT market through synergy between Shionogi's sales force, which is strong in clinics, and our sales force, which is strong in hospitals.**

A small, elite sales force works strongly with distributors



*1 Including Jingu Yakuhin Co., Ltd. which merged in February 2024.

Strengthening Sales Capabilities Further Through Collaboration with Shionogi

TAUNS × SHIONOGI

Target an integrated solution from prevention (vaccination) through testing and treatment

ImunoAce

Selling TAUNS products through **co-promotion*.[1]**

SHIONOGI	TAUNS SHIONOGI	SHIONOGI
Prevention (Vaccination)*3	**Testing**	**Treatment**

Collaborate with Shionogi's robust sales infrastructure

Seek to become the undisputed leader in the domestic POCT market

*1 Infectious diseases covered in the current situation are COVID-19 and influenza
*2 Co-promotion: Parallel promotion of the same drug under the same brand by two or more pharmaceutical companies (usually two companies).
*3 Received regulatory approval for COVID-19 vaccine (Source: Shionogi & Co., Ltd. press release on June 24, 2024)

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Financial Results for 1st Quarter of FY2025

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FY2025 1Q Highlights

- ✓ Although the 11th wave of COVID-19 occurred, the epidemic[1] scale decreased by about 40% compared to the same period last year. In addition, influenza, which was prevalent in the same period of the previous year, was also limited to some areas during the quarter under review, resulting in an epidemic[2] scale of about 90% less than that of the same period of the previous year, although the epidemic scale remained at the same level as that of a normal year. （1,2 based on fixed-point observations announced by the Ministry of Health, Labour and Welfare)
- ✓ However, sales of kits that test for a single infectious disease of COVID-19 exceeded those of the same period of the previous year, as some distributors secured inventories and our share of the market increased considerably. The decline in unit price, which had been a concern, has not been observed at this point.
- ✓ On the other hand, the market size of influenza test kits and combo kits which can test for both influenza and COVID-19 at the same time also declined YoY due to the significant YoY decline in the influenza epidemic. Sales of combo kits were down YoY, as the market share of these kits has not yet recovered. However, there was no decline in unit price as feared at this point.
- ✓ As a result, sales declined slightly in the first quarter. On the other hand, profit at each stage remained almost unchanged. In the same period of the previous year, sales of influenza test kits with relatively low profit margins were included to a certain extent, but in the quarter under review, sales of COVID-19-only test kits and combo kits with high profit margins increased, resulting in an improvement in the profit ratio at each stage compared to the same period of the previous year.

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Financial Results for 1st Quarter of FY2025

- **While a considerable amount of low-margin bids for local governments were included in sales in 1Q FY2023, almost no bids for local governments were included in sales in 1Q FY2024, and the profit ratio at each stage improved, resulting in an increase in both sales and income.**
- **In 1Q FY2025, the relatively high-margin COVID-19-only test kits and combo kits that test for both influenza and COVID-19 accounted for a large proportion of sales, resulting in a further improvement in the profit ratio at each stage. As a result, net sales decreased but profits remained almost unchanged compared to the same period last year.**

(Millions of yen)	FY2023 1Q		FY2024 1Q		FY2025 1Q		
	Actual	*margin*	Actual	*margin*	Actual	*margin*	*YoY*
Net sales	6,326	-	6,943	-	6,419	-	*-7.5%*
Gross profit	3,909	*61.8%*	4,802	*69.2%*	4,810	*74.9%*	*0.2%*
Operating income	2,812	*44.5%*	3,746	*53.9%*	3,745	*58.3%*	*-0.0%*
Ordinary income	2,807	*44.4%*	3,741	*53.9%*	3,753	*58.5%*	*0.3%*
Net income	1,920	*30.4%*	2,685	*38.7%*	2,696	*42.0%*	*0.4%*
EBITDA	2,964	*46.9%*	3,914	*56.4%*	3,917	*61.0%*	*0.1%*

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Sales by Major Products

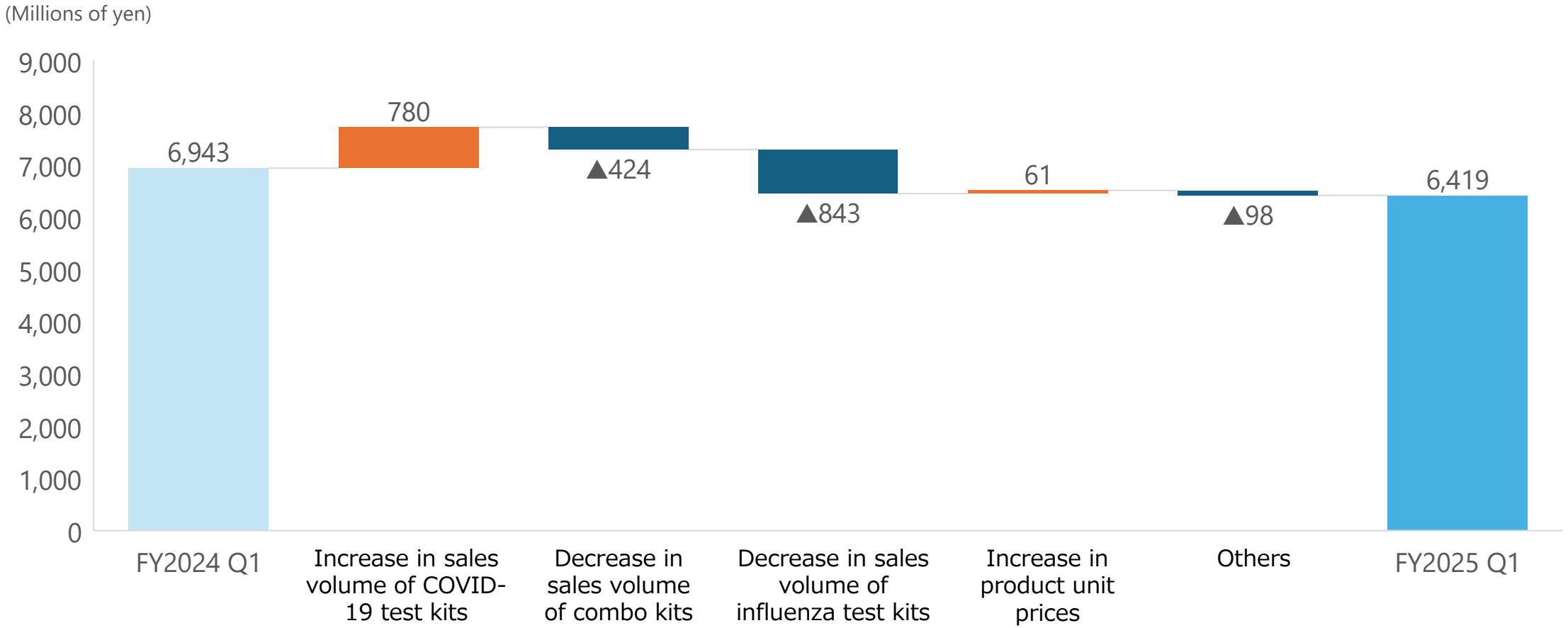
- **Comparing Q1 sales by major product, in 1Q FY2025, sales of influenza test kits declined significantly YoY because the influenza epidemic is still limited to certain regions. Sales of combo kits were also lower YoY due to the market size being below the previous year's level and the Company's market share still in the process of recovering. On the other hand, sales of COVID-19-only test kits were up YoY due to an increase in market share despite a decline in the size of the market YoY.**
- **As of 1Q of this fiscal year, the full-scale spread of influenza has been delayed compared to the previous fiscal year, and demand for influenza and combo kits is expected to be pushed back compared to last fiscal year.**

(Millions of yen)	FY2023 Q1		FY2024 Q1		FY2025 Q1	
	Actual	*composition*	Actual	*composition*	Actual	*composition*
COVID-19-only test kits	5,356	*84.7%*	2,374	*34.2%*	3,284	*51.2%*
COVID-19/Influenza combo kits	285	*4.5%*	2,479	*35.7%*	2,013	*31.4%*
Influenza test kits	118	*1.9%*	1,286	*18.5%*	400	*6.2%*
Others	565	*8.9%*	803	*11.6%*	720	*11.2%*
Total	6,326		6,943		6,419	

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Factors for the Increase/Decrease in Net Sales Compared to the 1st Quarter of FY2024

- **Factors contributing to the change in net sales were the increase and decrease in sales volumes of the three main products. While sales volume of influenza-only test kits and COVID-19/influenza combo kits decreased due to the delayed start of the influenza epidemic compared to the 1st quarter of FY2024, sales volume of COVID-19-only test kits increased due to the arrival of the 11th wave of COVID-19 and a significant increase in market share.**
- **The unit price of each product has not fallen much compared to the 1st quarter of FY2024, and the actual selling price of the COVID-19-only test kits, for which demand was strong, exceeded the previous fiscal year's results.**

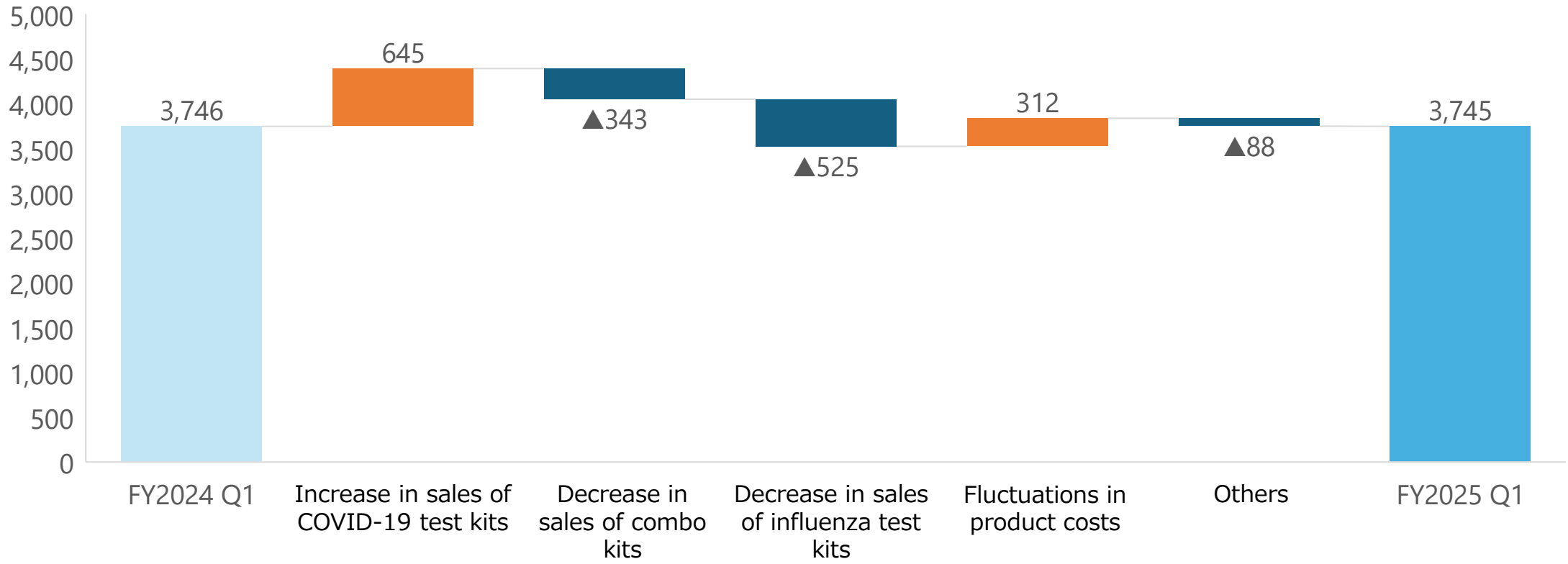


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Factors for the Increase/Decrease in Operating Income Compared to the 1st Quarter of FY2024

- **Sales of COVID-19-only test kits increased due to market share growth despite lower epidemic level of COVID-19 infections YoY, but sales of influenza-only test kits and COVID-19/influenza combo kits decreased due to delayed start of influenza epidemic compared to the 1st quarter of FY2024.**
- **On the other hand, the unit price of the COVID-19-only test kits, for which demand was strong, exceeded the past results, contributing to an improvement in the gross profit margin. Operating income remained almost unchanged compared to the 1st quarter of FY2024.**

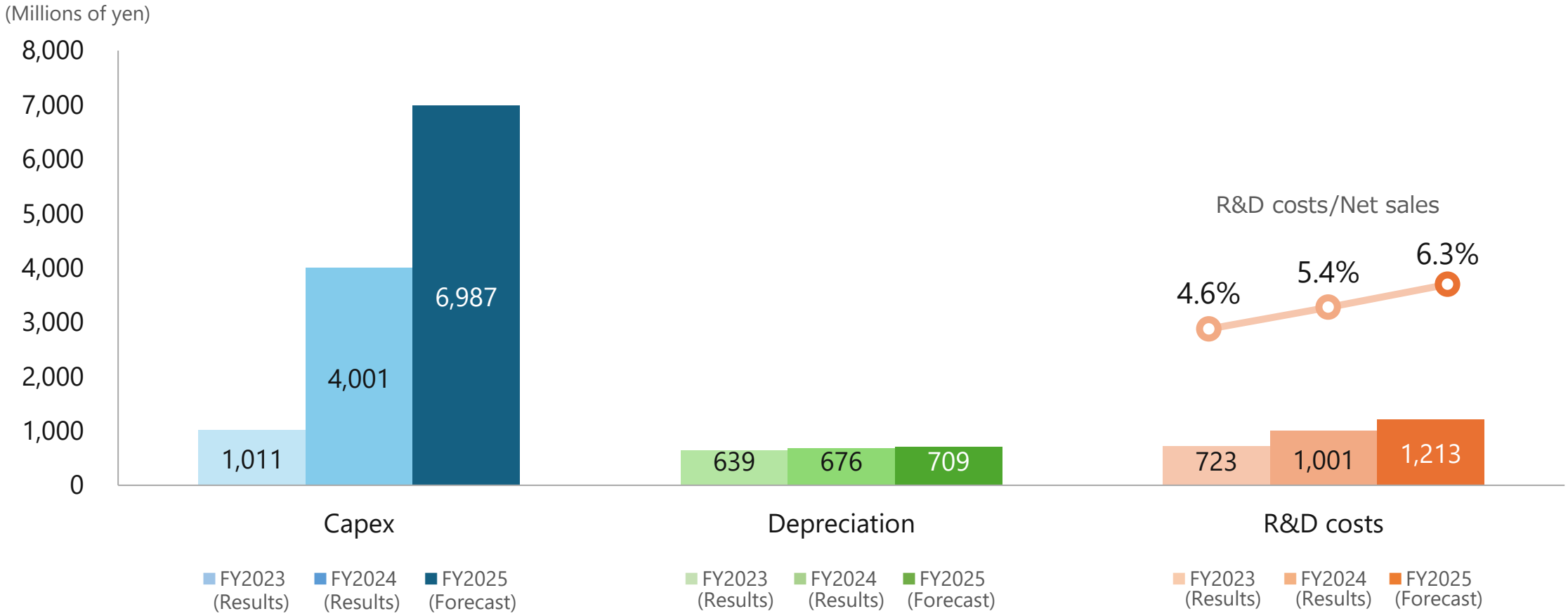
(Millions of yen)



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Investments

- **Capital expenditures are expected to include CAPEX for the Mishima factory, which was also recorded in FY2024, as well as IT investments such as ERP, investments to increase production until the new factory is put into operation, construction of a new warehouse in Kamishima, and R&D-related investments.**
- **R&D expenses are expected to be 6.3% of net sales in FY2025, as development is underway for the launch of new products such as D-IA related products.**



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Balance Sheet

(Millions of yen)	FY2024 Q1	end of FY2024	FY2025 Q1
Current assets	15,200	16,915	16,573
Cash on hand and in banks	2,386	9,424	5,030
Accounts receivable-trade	8,867	2,706	6,597
Merchandize and finished goods	1,073	2,731	2,684
Work in process	1,185	846	920
Raw materials and supplies	1,195	1,140	1,200
Other	491	66	140
Fixed assets	8,878	12,345	12,605
PPE	4,459	7,905	8,126
Intangible fixed assets	3,853	3,720	3,728
Investments and other assets	565	719	750
Total assets	24,078	29,261	29,178

(Millions of yen)	FY2024 Q1	end of FY2024	FY2025 Q1
Cuurent Liabilities	9,736	10,474	9,994
Accounts payable-trade	903	1,482	1,400
Short-term borrowings	4,500	4,500	4,500
Current portion of long-term borrowings	732	732	732
Accured income taxes	1,055	1,706	1,113
Consumption tax payable	0	387	438
Other	2,545	1,665	1,810
Long-term liabilities	3,166	5,120	4,932
Long-term borrowings	2,053	4,307	4,124
Deferred tax liabilities	922	619	619
Other	191	193	188
Total liabilities	12,903	15,594	14,926
Net assets	11,175	13,666	14,251
Total liabilities and net assets	24,078	29,261	29,178

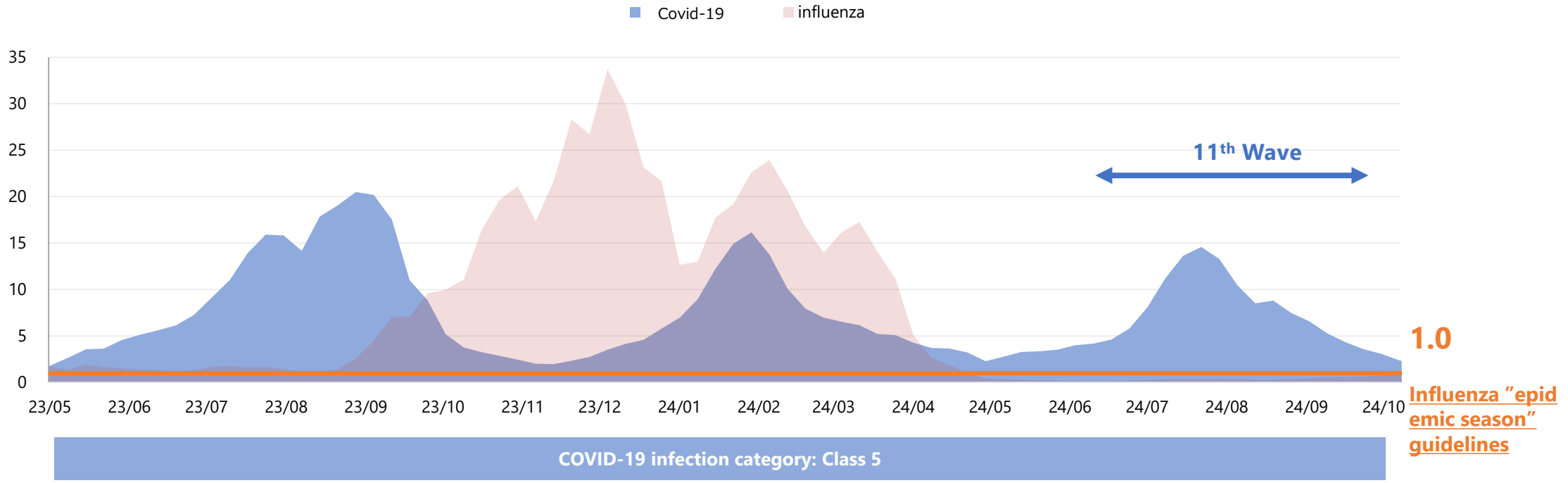
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Forecast of FY2025

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COVID-19 and influenza epidemics after the transition to Class 5

- Looking at the number of Covid-19 cases reported per sentinel site, even after the transition to Class 5, the number of cases has continued to rise and fall, but it has never fallen below the number “1”*, which is regarded as the benchmark for the start of an epidemic for influenza. Therefore, it can be said that Covid-19 is in a state of constant epidemic.
- The epidemic level of the 11th wave of COVID-19 was approximately 40% lower than that of the first quarter of FY2024, and the size of the testing market decreased accordingly.
- In the 2023-2024 season, influenza-related sales increased in the first quarter due to an earlier-than-usual start of the influenza epidemic, while in the 2024-2025 season, the epidemic is still limited to certain regions at this time.



（Source： Ministry of Health, Labour and Welfare, “Outbreak of COVID-19" and "Press release on influenza".
*: Number of reports per sentinel sites is the weekly number of patient reports from all fixed-point medical institutions divided by the number of sentinel sites, and is the average weekly number of infected patients reported per medical institution. Showing the number of reports per sentinel sites nationwide.

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Background of High Infectious Disease Testing Rates in Japan

- **Japan's infectious disease testing rate has been continuously high in the past, backed by a serious national character that seeks to prevent transmission to others, a well-developed medical system, and a proactive attitude on the part of medical institutions to test for infectious diseases.[*1]**

Serious national character that seeks to prevent transmission to others.

- As indicated by the high rate of mask use in the COVID-19 pandemic, Japanese people are highly conscious of preventing the spread of infection to others if they themselves become infected.
  - ✓ In order to prevent work stoppages and class closures, companies and schools usually have a rule that students must stay home in the event of a positive test.
- Many people are aware that if they have fever symptoms, they immediately go to the hospital and undergo tests to determine whether or not they can go to school or commute to work.

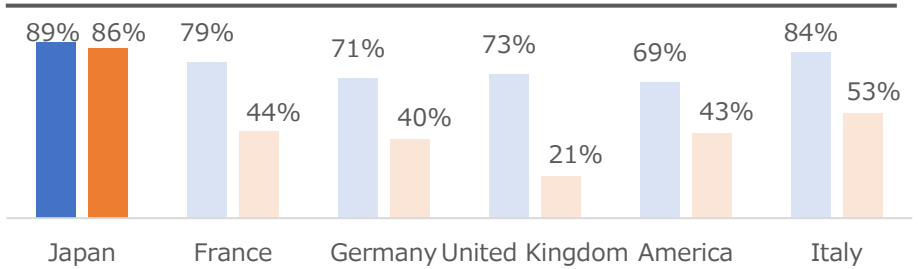
Well-developed health care system facilitates access to testing

- Universal health insurance system allows all ages to receive examinations at low out-of-pocket costs.
- High number of medical facilities per capita and immediate access to testing without prior appointment

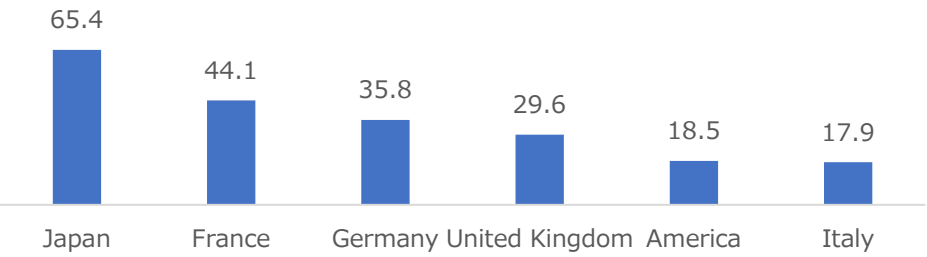
Proactive attitude on the part of medical institutions to conduct inspections

- In Japan, the Ministry of Health, Labor and Welfare (MHLW) has set a target to reduce the use of antimicrobial agents, and recommends active testing (including differentiation between viral and bacterial strains) as a national policy
- Laboratory fees contribute to the stability of the business condition of hospitals and clinics.

Change in rate of mask use*2 in COVID-19 disaster (April 2009→ July 2010)



Hospitals per million population (2021, in facilities)[*3]



Background of the national policy recommending the implementation of inspections

- ✓ Antimicrobial-resistant bacteria are increasing around the world due to overuse of antimicrobial prescriptions.
- ✓ MHLW formulated an action plan to combat drug resistance (AMR) and set a target of **reducing antimicrobial use by 15% from 2020 levels** by 2027, and **recommended that testing be conducted.**

*1： OECD Health Care Utilisation "Doctors consultations
*2： Japan Research Center/YouGov "What is the rate of mask use in Japan after the shift to "Class 5 Infectious Diseases"? *2: Based on data compiled by the Company from the Japan Research Center/YouGov survey. Percentage of respondents who answered "I have worn a mask in public places in the past two weeks" to the survey. Results of the June 2010 survey in the U.K. only.
*3： Compiled by us from OECD Health Care Resources, "Hospitals. The number of hospitals per million population in the UK is an OECD estimate.

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Demand Outlook for SARS-CoV-2 Tests in Japan

- **SARS-CoV-2, in comparison to influenza viruses, is characterized by its strong infectivity, difficulty in acquiring immunity, and multiple outbreaks per year.**
- **Cases of COVID-19-related deaths, including those associated with complications of underlying cardiovascular conditions, continue to occur. As a result, robust demand for tests is expected to continue for the foreseeable future.**

		Influenza Viruses	SARS-CoV-2
Factors suggesting continued prevalence of SARS-CoV-2 infections	Infectivity	• Infectivity comparatively weaker than SARS-CoV-2 • The basic reproduction number (R_0)*1 , an indicator of transmissibility, is approx. 1.3	• Infectivity comparatively stronger than influenza viruses • **The initial Wuhan strain had an R0 of approx. 3.0, and the R0 in subsequent mutants has remained even higher.**
	Immunity decay rates / Emergence of immune-evasive strains	• Epidemic strains appear every year; immunity can be acquired through vaccination or infection, and instances of repeated infections by the same individual within one season*2 are rare	• Faster decay rate of immunity and emergence of immune-evasive strains compared to influenza viruses • **Individuals can be infected more than once in a year**
	Seasonality	• Seasonal patterns observed, with epidemics typically occurring during the winter months	• Current evidence does not confirm seasonality; **multiple epidemics possible in a single year**
Factors suggesting continued demand for SARS-CoV-2 infection tests	Fatality rates / Number of deaths	• Fatality rates consistent • Annual no. of deaths in Japan in a typical year estimated to be approx. 10,000	• **Fatality rates consistent; many fatalities due to complications with cardiovascular conditions** • Approx. 50,000 deaths reported in Japan in 2023 *.3

(Sources) COVID-19 Infection Control Advisory Board. "Characteristics of COVID-19 and Medium- to Long-Term Risks"; MHLW website " Frequently asked questions about novel influenza viruses."

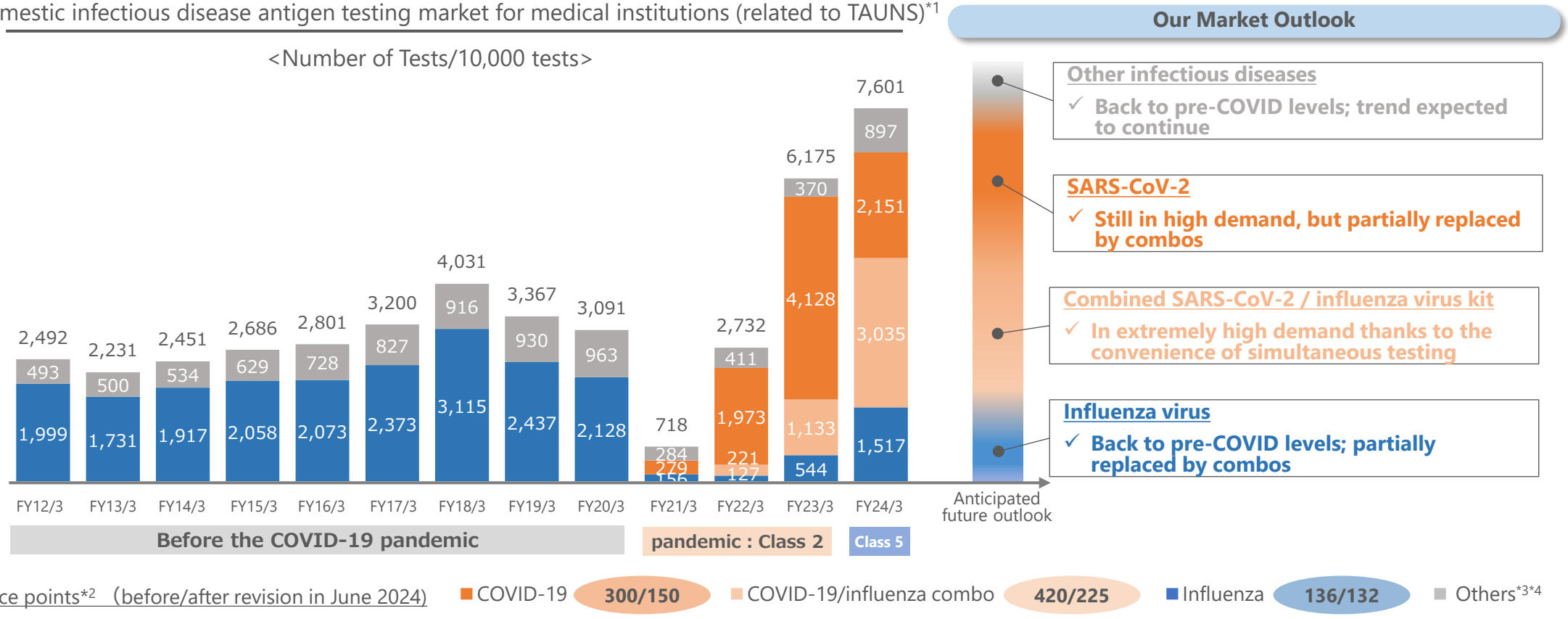
*1: The basic reproduction number (R_0) is an estimated value representing the average number of secondary infections generated by one infected The basic reproduction number (R95) is an estimated value representing the average number of secondary infections generated by one infected individual within a population completely lacking immunity to a specific infectious disease.
*2: The MHLW defines an influenza "season" as the period from September to April when the number of infections typically increases.
*3: Number of COVID-19-related deaths is based on data obtained from Death Certificates (autopsy reports) (Column I or II)

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Domestic Antigen Testing Market for Medical Institutions expanded through the COVID-19 Pandemic

- **Prior to the COVID-19 pandemic, the domestic antigen testing market for medical institutions was approximately 30 million tests per year, mainly for influenza.**
- **COVID-19 testing and simultaneous testing of COVID-19 and influenza using combo kits have become common through the COVID-19 pandemic, and the market size has increased significantly to 76 million tests per year compared to before the COVID-19pandemic.**

Domestic infectious disease antigen testing market for medical institutions (related to TAUNS)*1



Insurance points*2 (before/after revision in June 2024) ■COVID-19 **300/150** ■COVID-19/influenza combo **420/225** ■Influenza **136/132** ■Others*3*4

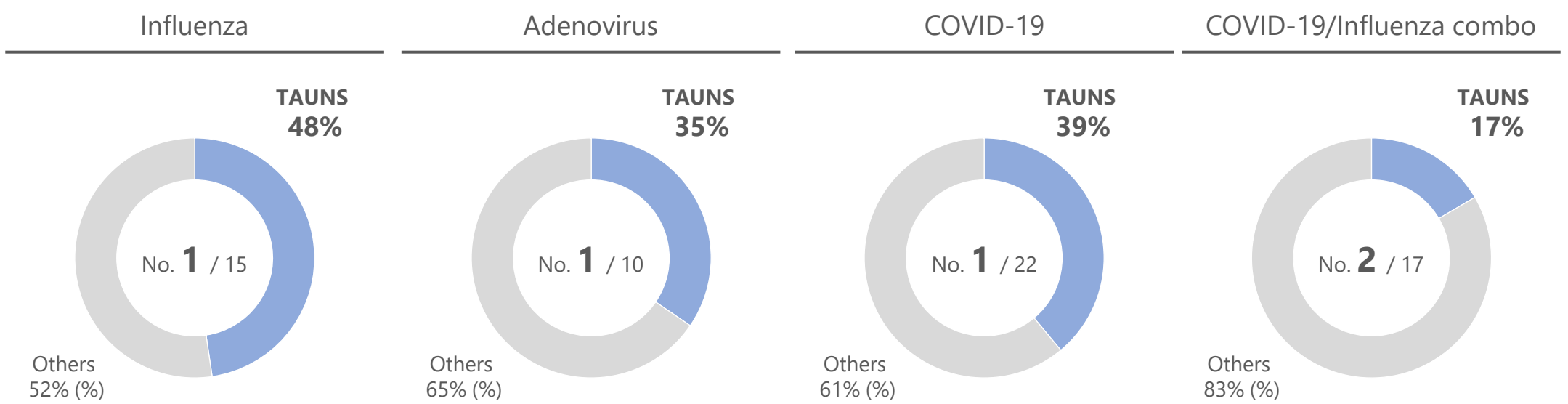
(Sources) IQVIA (market size); MHLW "The 7th NDB Open Data Japan" (NHI points)
*Data compiled in-house based on JPM (April 2011 - March 2024). Figures exclude net sales at pharmacies for FY 2023/3 and FY 2024/3. (Only RSV combo products include net sales at pharmacies). pharmacies)
*2: Insurance scores for COVID-19 and COVID-19/influenza combo and influenza are before and after the revision in June 2024. Other diseases are the insurance scores as of 2021, the latest period of NDB open data.
*3: Breakdown of Others (insurance points in parentheses): RS virus (138 points), adenovirus (189 points), streptococcus (127 points), mycoplasma (FA method 170 points / immunochromatography 150 points), human metapneumovirus (146 points)
*4: Data from FY 2017/3 onward for mycoplasmas and FY 2013/3 onward for human metapneumovirus.

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High Market Share and Room for Expansion

- **We have the largest share of the influenza, adenovirus and COVID-19 antigen test kit market in Japan.**
- **The market share of test kits for influenza only has grown even further, and the market share of test kits for COVID-19 only has also increased significantly compared to previous years.**
- **On the other hand, combo kits, the growth driver for this fiscal year, are still in the process of recovering market share. TAUNS aims to regain it from 2Q onward.**

Share of the domestic market for antigen test kits for medical institutions for major respiratory infections*1



*1:Copyright © 2024 IQVIA. In-house calculation based on the period of JPM (July 2024 to September 2024) to confirm the Company's share for the first quarter of FY2025. All rights reserved. Share is calculated as the ratio of the Company's number of inspections during the relevant period divided by the overall number of inspections during the relevant period.

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Assumptions for full-year forecast for FY2025 (Reposted)

- ✓ The COVID-19 epidemic has continued since the change of category to Class 5 in May 2023, and existing infectious diseases such as seasonal influenza have resumed, so we believe that the antigen test market will basically be the same size in FY2025 as in the previous fiscal year.
- ✓ In the previous fiscal year, we had to limit shipments of combo kits for a certain period of time due to production capacity constraints, but we have recently increased combo kit production capacity and adopted a strategic inventory policy to be prepared to meet the growing demand for combo kits. Collaboration with Shionogi is also accelerating, aiming to expand market share in the growing combo kit market.

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Earnings Forecast (Reposted)

- **No change from the forecast announced on August 13, 2024**
- **The overall market size of antigen test kits is expected to be about the same as in FY2024. In this context, we will work to increase the market share of COVID-19-related products, particularly combo kits, which have been limited to a low share compared to other items due to shipment restrictions in FY2024.**
- **On the other hand, since there is a risk of price decline due to price competition, the earnings forecast reflects a certain level of stress.**

(Millions of yen)	FY2024 (Forecast) ①	FY2024 (Results) ②	FY2025 (Forcast) ③	*YoY* ②/③	*margin*
Net sales	17,553	18,434	19,273	*4.5%*	-
Operating income	7,891	8,030	8,308	*3.5%*	*43.1%*
Ordinary income	7,741	7,840	8,316	*6.1%*	*43.1%*
Net income	5,550	5,774	6,019	*4.2%*	*31.2%*

In formulating our earnings forecast, we mainly assumed the following.

✓ Based on the increased production capacity for combo kits and the accelerated partnership with Shionogi, the market share and the percentage of combo kits in our sales would increase.

✓ Some downward pressure on prices would occur due to price competition in COVID-19 related products.

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Progress of Business Forecasts

- **The forecast for FY2025 remains unchanged. Currently, 33.3% of net sales and 45.1% of operating income have been achieved against the forecast.**
- **Although the scale of COVID-19 epidemic was lower than expected as of 1Q and a nationwide influenza epidemic has not yet been observed at this point, we believe that the full-year forecast is achievable based on an increase in the market share of our main products and higher unit prices.**

(Millions of yen)	FY2024			FY2025		
	Full year (Results)	1Q (Results)	*vs FY*	Full year (Forecast)	1Q (Results)	*vs Forecast*
Net sales	18,434	6,943	*37.7%*	19,273	6,419	*33.3%*
Operating income	8,030	3,746	*46.7%*	8,308	3,745	*45.1%*
Ordinary income	7,840	3,741	*47.7%*	8,316	3,753	*45.1%*
Net income	5,774	2,685	*46.5%*	6,019	2,696	*44.8%*

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Shareholder Returns (Reposted)

- **No change from the dividend forecast announced on August 13, 2024**
- **The Company's policy is to provide stable and continuous profit returns with a target payout ratio of approximately 30%.**
- **As the fiscal year ending June 30, 2025 marks the 10th anniversary of the Company's establishment, we plan to pay a commemorative dividend of 10 yen per share at the end of the fiscal year to celebrate the anniversary.**

In response to changes in the business environment, our policy is to provide a stable and continuous return of profits to shareholders with a dividend payout ratio of approximately 30%, taking into consideration the strengthening of our corporate structure and the future business environment. In addition to the regular dividend policy, the Company also plans to pay commemorative dividends on anniversaries, etc., after comprehensively taking into account the Company's performance and financial position.

(Yen, %)	interim dividends	Year-end dividend	Annual dividend	Dividend payout ratio	remarks
Fiscal year ended June 30, 2024	6.00	21.75*1	27.75*1	48.1%	Special dividend of 11.10 yen per share to commemorate listing on the Tokyo Stock Exchange Standard Market
Fiscal year ending June 30, 2025 (Forecast)	6.00	22.00*2	28.00*2	46.8%	Special anniversary dividend of 10.00 yen per share is scheduled to be paid at the end of the fiscal year to celebrate the 10th anniversary of the Company's establishment.

*1: 11.10 yen is included as a commemorative dividend for the new listing.
*2: 10.00 yen (planned) is included as a commemorative dividend for the 10th anniversary of the Company's establishment.

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Recent Topics

- **As initiatives to contribute to the realization of our growth strategy, we have made a strategic investment in Connect Afya and signed a license agreement with First Screening, an existing investment partner.**
- **As for Connect Afya, starting with the establishment of a supply system for our products in Africa, we expect to conduct joint research to develop products tailored to local needs and to share know-how in the testing center business. For First Screening, we expect to jointly develop a simplified urinalysis platform and new test items.**

	Connect Afya	FSC
Name of company	Connect Afya Ltd.	First Screening Corp.
Date	August 2, 2024	October 24, 2024
Contents	Strategic Capital and Business Alliance	License Agreement
Objective	✓ Development of product supply system for African region ✓ Promote collaborative research and other activities to develop new items for in vitro diagnostics in African region	✓ Introduction of electrochemical detection technology for FSC ✓ Introduction of technology in the areas of cardiovascular disease testing, renal disease testing, and various infectious disease testing ✓ Expand business into areas other than testing for respiratory infections such as chronic diseases ✓ Development of products that can be tested outside of medical facilities

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Appendix.

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Production system strengthened by the establishment of a new factory

- **We are currently building a new factory in Mishima City, Shizuoka Prefecture. While increasing production capacity as a growth driver, TAUNS is also enhancing factory automation (FA) and in-house production to maintain high quality standards while reducing costs, as well as strengthening its BCP system.**

Purpose of Establishment

In addition to strengthening the production capacity of existing products, we will also achieve the manufacturing of products related to new platforms.

Start of Operations (Phase I Construction)

December 2025 (scheduled)

Investment Amount

11.29 billion yen

Company cost is 7.29 billion yen due to subsidies (Land has already been acquired)

Depreciation burden due to new factory investment is about ＋400 million yen/year

1 Strengthening of production capacity

- Increase the production capacity Approx. 1.3 million tests/month[*1] → **Approx. 3.9 million tests/month** [*1]
- Maximum monthly production in FY2024 was 312% of capacity, a large load to cope with.
- Enable production of new platform products (D-IA, etc.) that cannot be manufactured at the Kamishima Factory.



2 Quality management and cost reductions through FA and inhouse production

- Promote factory automation to reduce labor costs while maintaining high quality.
- Lower manufacturing costs by improving the total inhouse manufacturing capacity and reducing the number of processes that were previously outsourced.



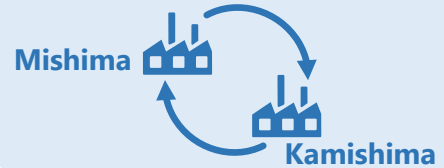
3 Secure warehouse space / logistics cost savings

- Secure a large site to use as warehouse space for test kits.
- Reduce warehousing/logistics costs by eliminating the need for inventory storage at a conventional external warehouse.
- With factory automation in the warehouse, the number of cargo receivers can be reduced to 1/6 of the previous number.



4 BCP

- Implement two production sites instead of the current system of only one production site.
- Ensure business continuity in the event of an emergency, avoid production outages.
- Equipped with higher earthquake resistance than the current Kamishima Factory.

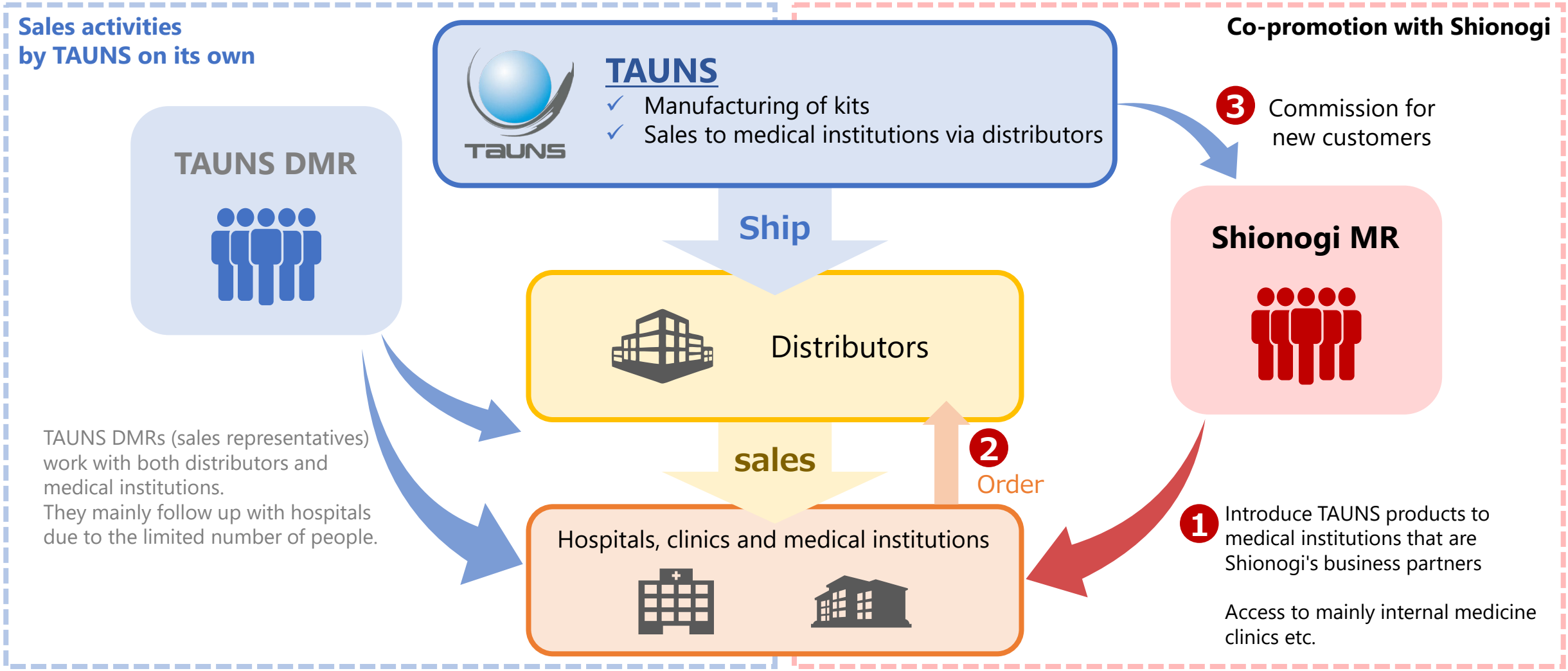


*1: Monthly production capacity is calculated based on the assumption that the company operates only during the daytime on weekdays and minimizes outsourcing.

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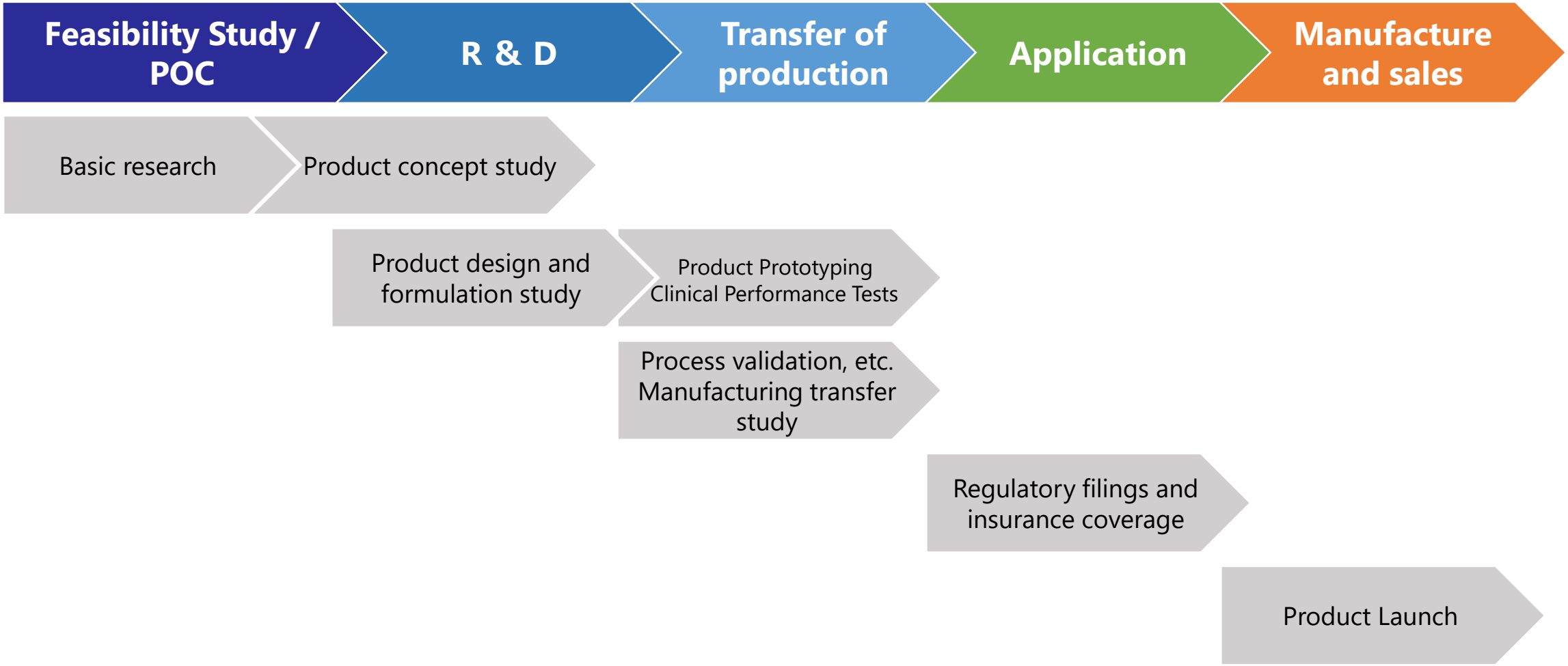
Our commercial distribution and collaboration with Shionogi

- **Shionogi will introduce our products to medical institutions and contribute to gaining recognition.**
- **Medical institutions place orders for our products with wholesale distributors, and TAUNS pays Shionogi commissions and other fees based on their contributions.**



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Product Launch Process

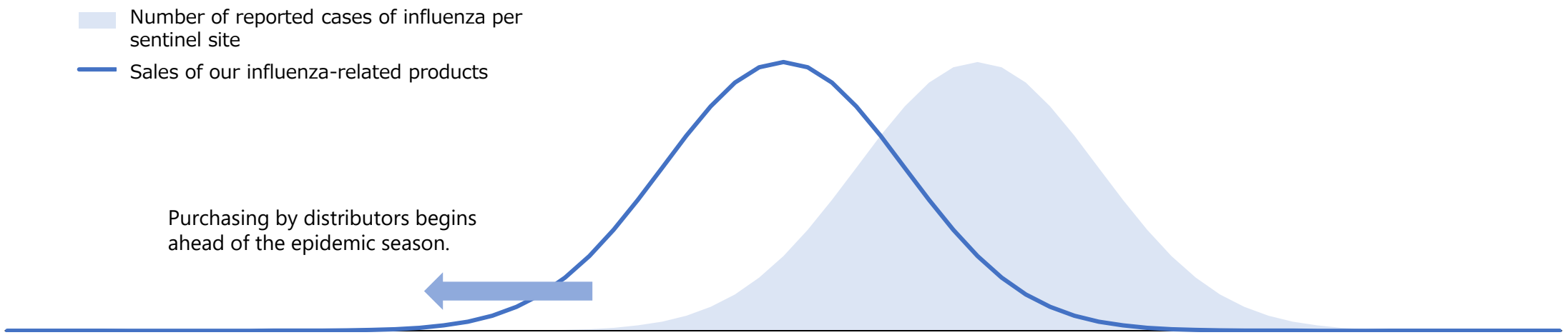


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Epidemic Period of Infectious Diseases and Our Revenue (Image)

- **For seasonal infectious diseases such as influenza, distributors tend to peak their purchases (≒recorded as sales by the Company) ahead of the peak of the epidemic.**
- **Seasonal respiratory infections are generally prevalent at the same time each year, but the start and peak of the epidemic may vary from year to year, and our revenues may also peak at different times in accordance with the epidemic period.**

Infectious Disease Epidemic Period and Our Revenue (Image Chart)



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