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The business performance briefing  
for the first second quarter of  
fiscal year ending Mar. 31 2015  
(the 77<sup>th</sup> term)

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**EIKEN CHEMICAL CO., LTD.**

Oct. 24, 2014

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Operating results for the first  
second quarter of  
fiscal year ending Mar. 31 2015  
(the 77<sup>th</sup> term)

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# Consolidated performance for the first second quarter ending Mar. 2015

-the 77<sup>th</sup> term-

(Millions of yen)

	First second quarter ending Mar. 31 2015					
	Target value	Actual results	Ratio	Difference from target value	YoY change	Ratio
Net sales	15,970	15,819	100.0%	(150)	753	105.0%
Operating income	1,570	1,855	11.7%	285	217	113.3%
Ordinary income	1,600	1,955	12.4%	355	263	115.6%
Net income attributable to shareholders of parent company	1,010	1,349	8.5%	339	264	124.4%

# Consolidated performance for the first second quarter ending Mar. 2015

-the 77<sup>th</sup> term-

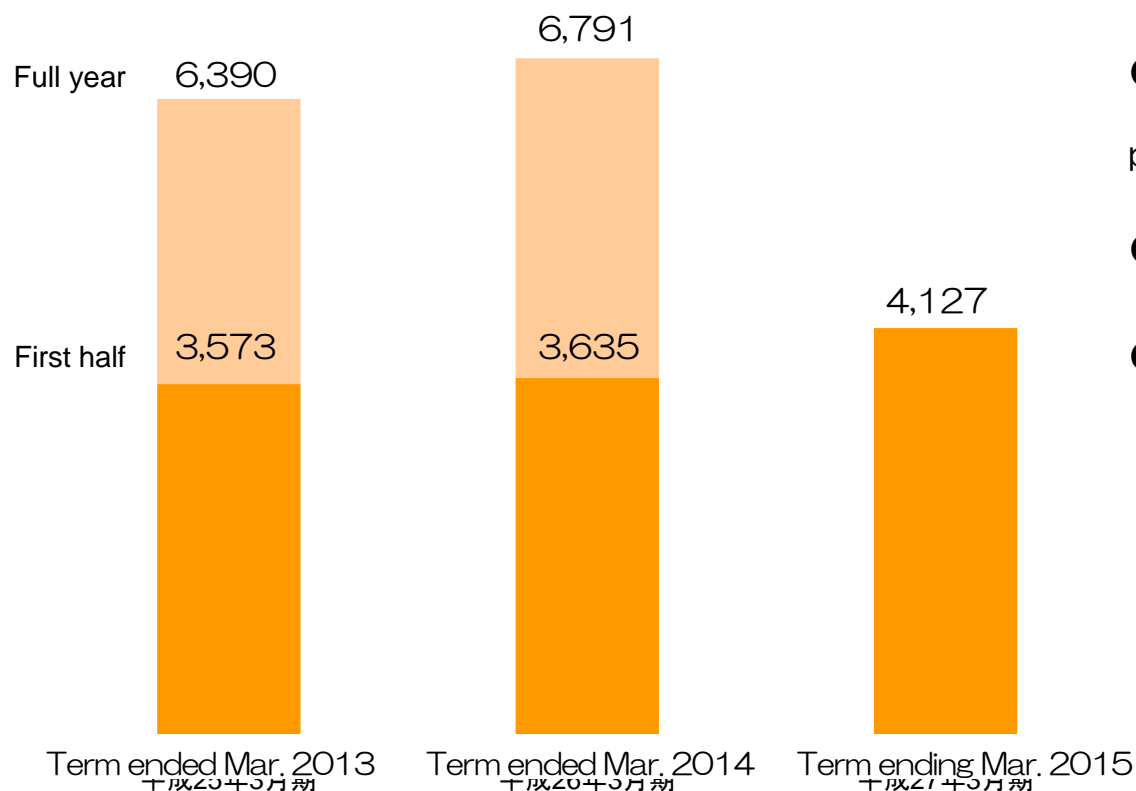
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- The last-minute rush in demand ahead of the consumption tax hike had an adverse impact on the EIKEN Group's business performance, but the second quarter demodulation. Overseas sales were increased significantly, up 45.7% year-on-year.
- Domestic sales were increased as a result of the sales of Uropaper  $\alpha$  III, fecal occult blood test reagents, reagents for a tests to examine the condition of the stomach (ABC classification), POCT and LAMP reagents.
- Sales of both fecal occult blood diagnostic reagents and analyzers increased in America, Europe and Asia; so did sales of fully automated urine analyzers and dedicated test strips to Italy. All these resulted in sales to overseas.
- There was an increase of patent fee income for genetic screening (LAMP method)
- Regarding profit, due to recording of 280 million yen as the research and development expenses projected for the second quarter delayed to the third quarter, operating income was 1,855 million yen (increase of 13.3% year-on-year basis), while ordinary income stood at 1,955 million yen (increase of 15.6% year-on-year basis). Also due tax rate reduction and decrease in the recorded amount of income taxes after tax system revision in fiscal year 2014, the quarterly net income was 1,349 million yen (increase of 24.4% year-on-year basis).

# Consolidated sales for product category

(Millions of yen)

Fecal occult blood diagnostic reagents (OC)	Term ended Mar. 2013		Term ended Mar. 2014		Term ending Mar. 2015
	First half	Full year	First half	Full year	First half
	3,573	6,390	3,635	6,791	4,127



- 13.5% increase from the corresponding term in the previous year,

- Domestic sales 106.6%

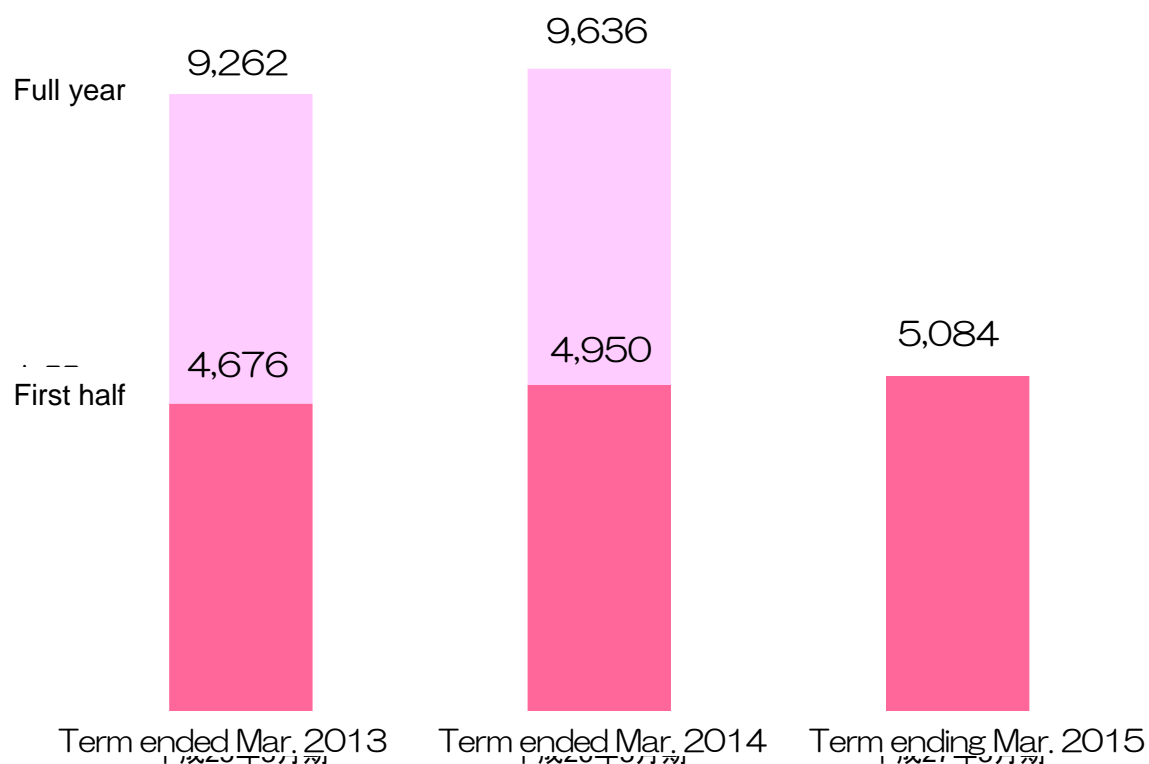
- Overseas sales 148.0%  
The sales in North America and Europe were increase.



# Consolidated sales for product category

(Millions of yen)

Immunological and serological reagents	Term ended Mar. 2013		Term ended Mar. 2014		Term ending Mar. 2015
	First half	Full year	First half	Full year	First half
	4,676	9,262	4,950	9,636	5,084



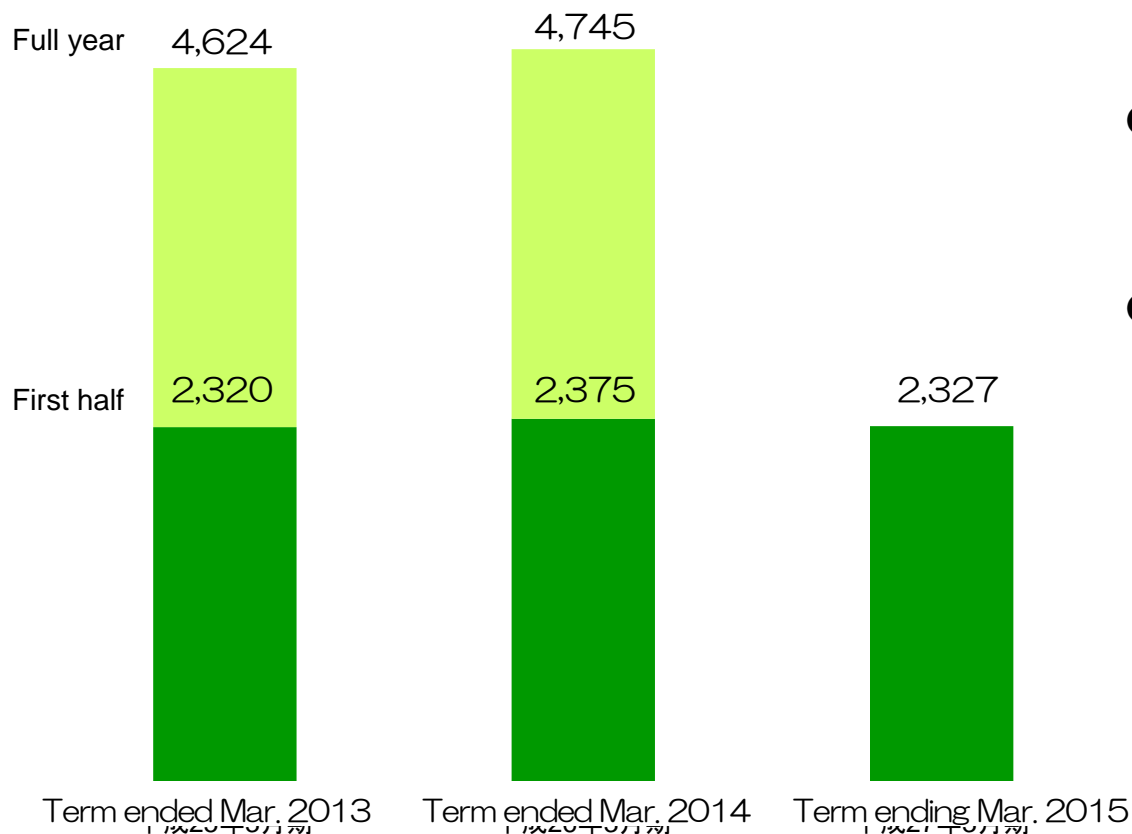
- 2.7% increase from the corresponding term in the previous year.
- The sales of LZ reagents and E Plate were increase.
  - Reagents for ABC classification
  - MMP-3



# Consolidated sales for product category

(Millions of yen)

Microbiological reagents	Term ended Mar. 2013		Term ended Mar. 2014		Term ending Mar. 2015
	First half	Full year	First half	Full year	First half
	2,320	4,624	2,375	4,745	2,327



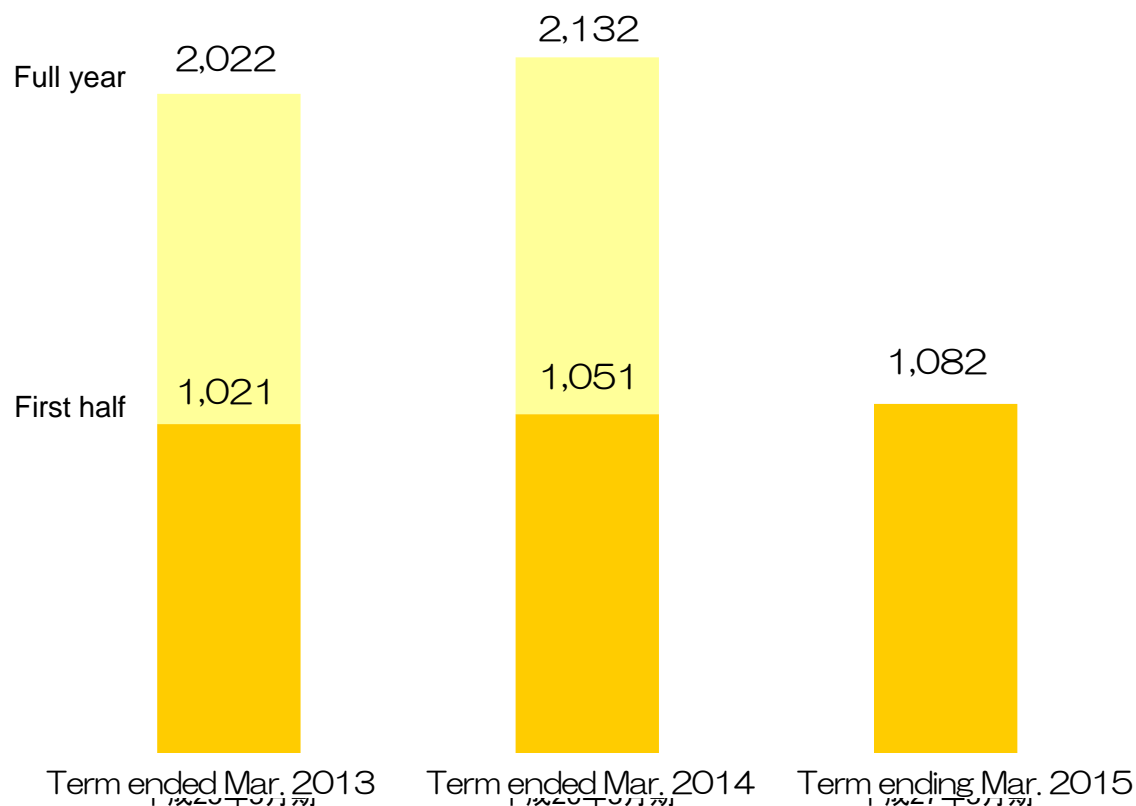
- 2.0 % decrease from the corresponding term in the previous year.
- The last-minute rush in demand ahead of the consumption tax hike had an adverse impact



# Consolidated sales for product category

(Millions of yen)

General test reagents (urinalysis test strip)	Term ended Mar. 2013		Term ended Mar. 2014		Term ending Mar. 2015
	First half	Full year	First half	Full year	First half
	1,021	2,022	1,051	2,132	1,082



- 2.9% increase from the corresponding term in the previous year
- The sales of urinalysis test strip "Uropaper  $\alpha$  III" for the automatic urine analyzer were increase.

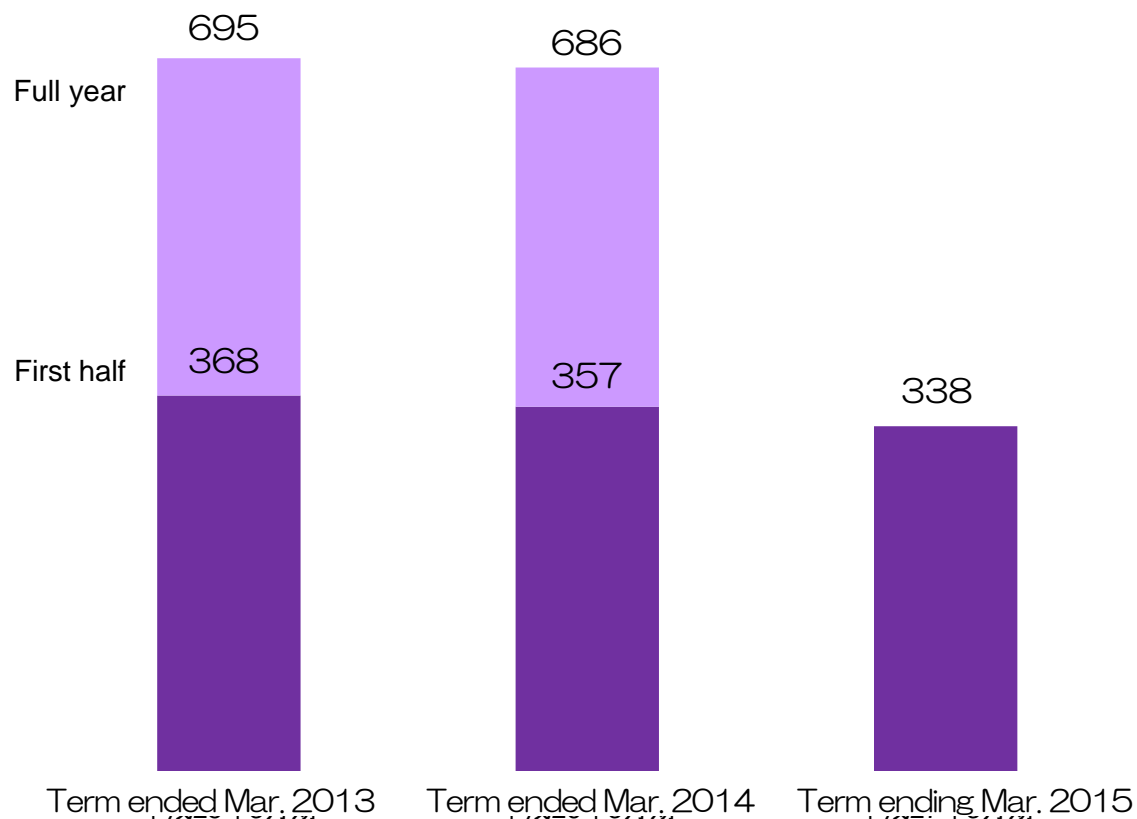




# Consolidated sales for product category

(Millions of yen)

Clinical chemistry reagents	Term ended Mar. 2013		Term ended Mar. 2014		Term ending Mar. 2015
	First half	Full year	First half	Full year	First half
	368	695	357	686	338



● 3.0% decrease from the corresponding term in the previous year.

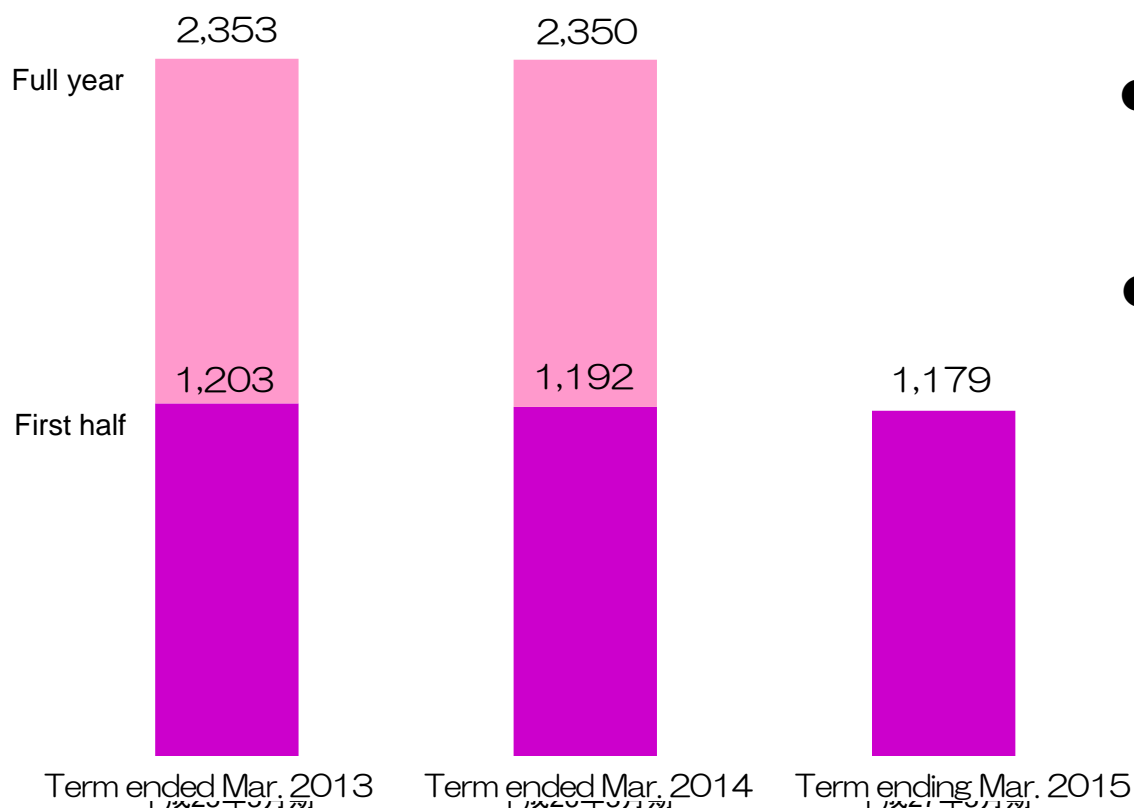
Decline in market prices.



# Consolidated sales for product category

(Millions of yen)

Culture media for equipment, food and environment category	Term ended Mar. 2013		Term ended Mar. 2014		Term ending Mar. 2015
	First half	Full year	First half	Full year	First half
	1,203	2,353	1,192	2,350	1,179



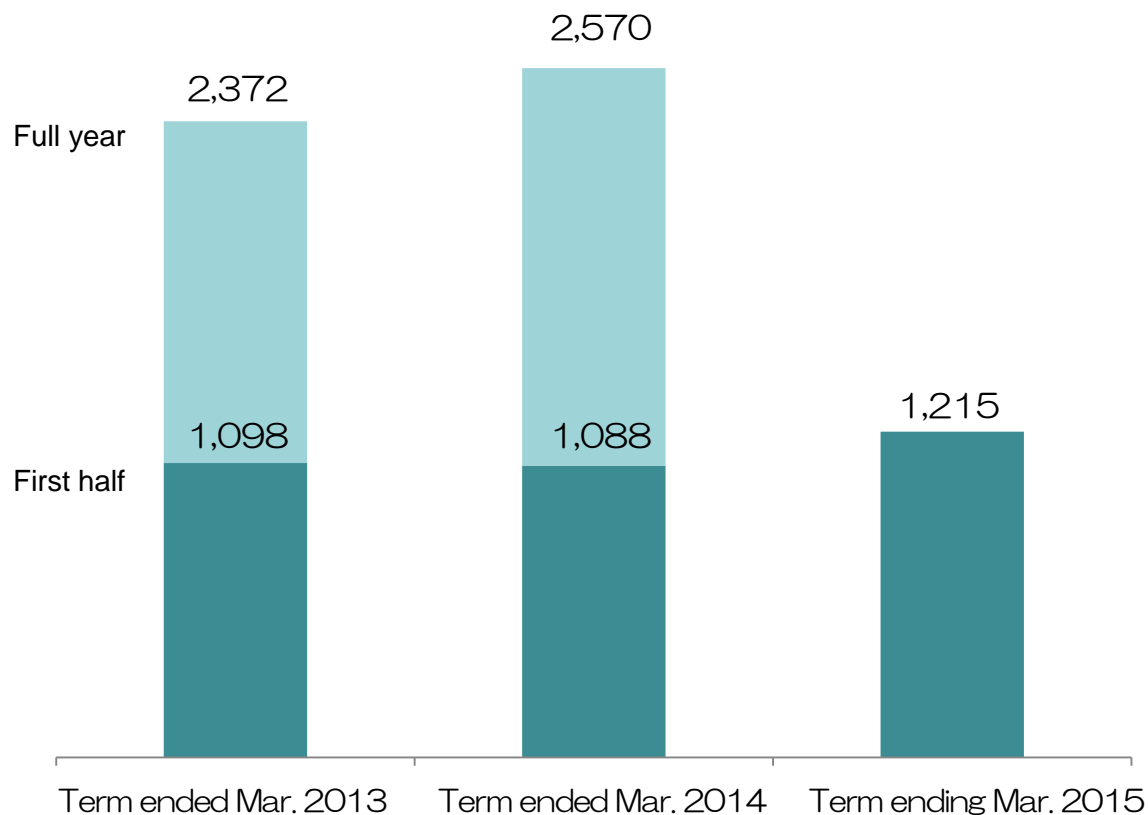
- 1.1% decrease from the corresponding term in the previous year.
- The last-minute rush in demand ahead of the consumption tax hike had an adverse impact



# Consolidated sales for product category

(Millions of yen)

Medical devices (exclude molecular genetics)	Term ended Mar. 2013		Term ended Mar. 2014		Term ending Mar. 2015
	First half	Full year	First half	Full year	First half
	1,098	2,372	1,088	2,570	1,215



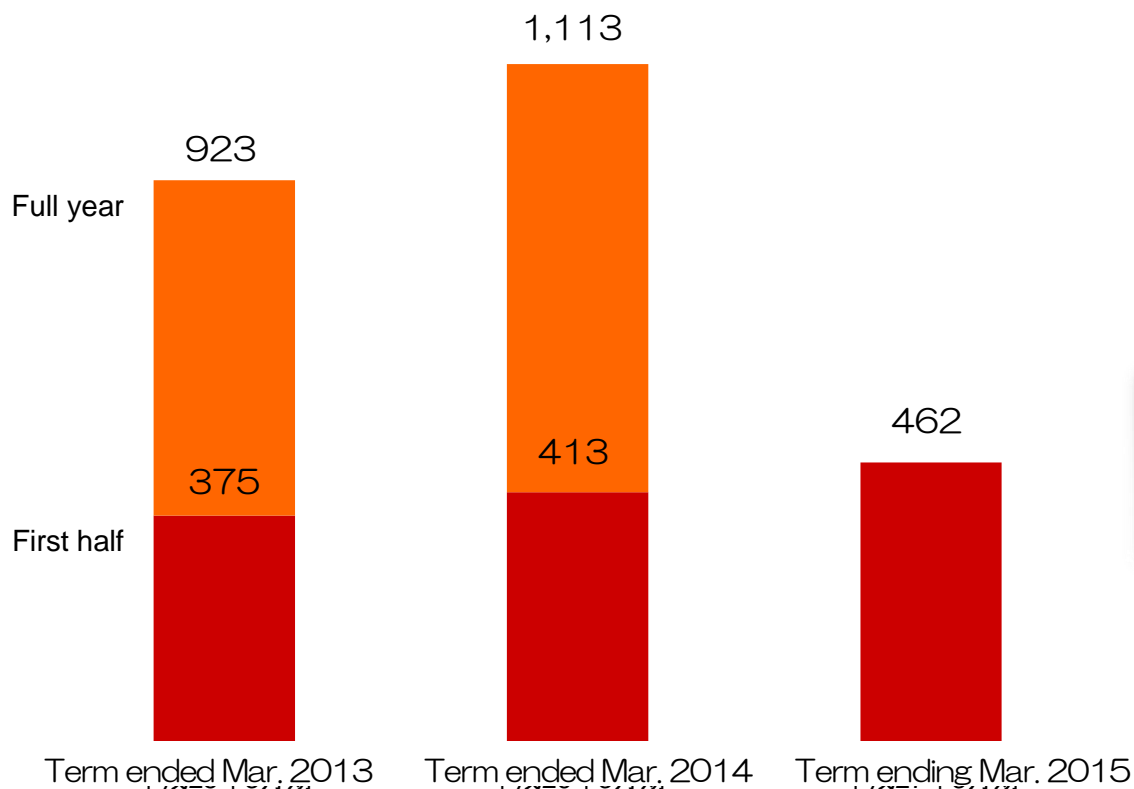
- 11.7% increase from the corresponding term in the previous year
- Increase in devices of OC, urinalysis tests and clinical chemistry tests.



# Consolidated sales for product category

(Millions of yen)

Molecular genetics (include devices)	Term ended Mar. 2013		Term ended Mar. 2014		Term ending Mar. 2015
	First half	Full year	First half	Full year	First half
	375	923	413	1,113	462



- 12.1% increase from the corresponding term in the previous year
- Patent rights income of LAMP method — 197 millions yen



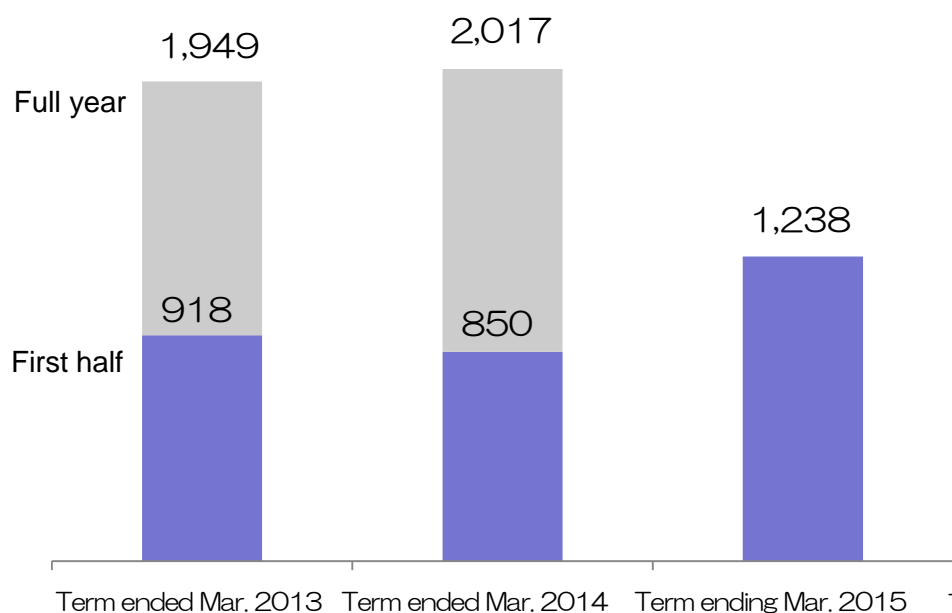
# Consolidated overseas sales

(Millions of yen)

Overseas sales	Term ended Mar. 2013		Term ended Mar. 2014		Term ending Mar. 2015
	First half	Full year	First half	Full year	First half
	918	1,949	850	2,017	1,238

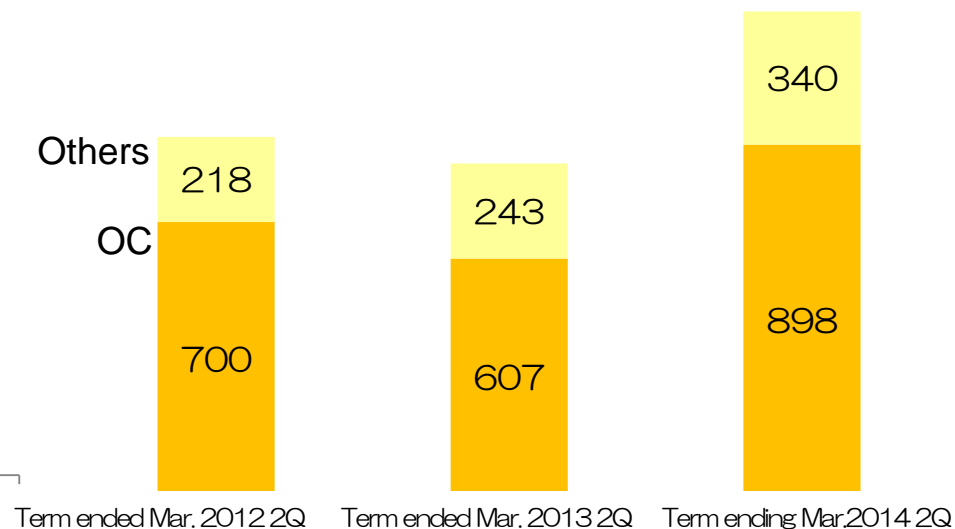
## Sales

- 45.7% increase from the corresponding term in the previous year

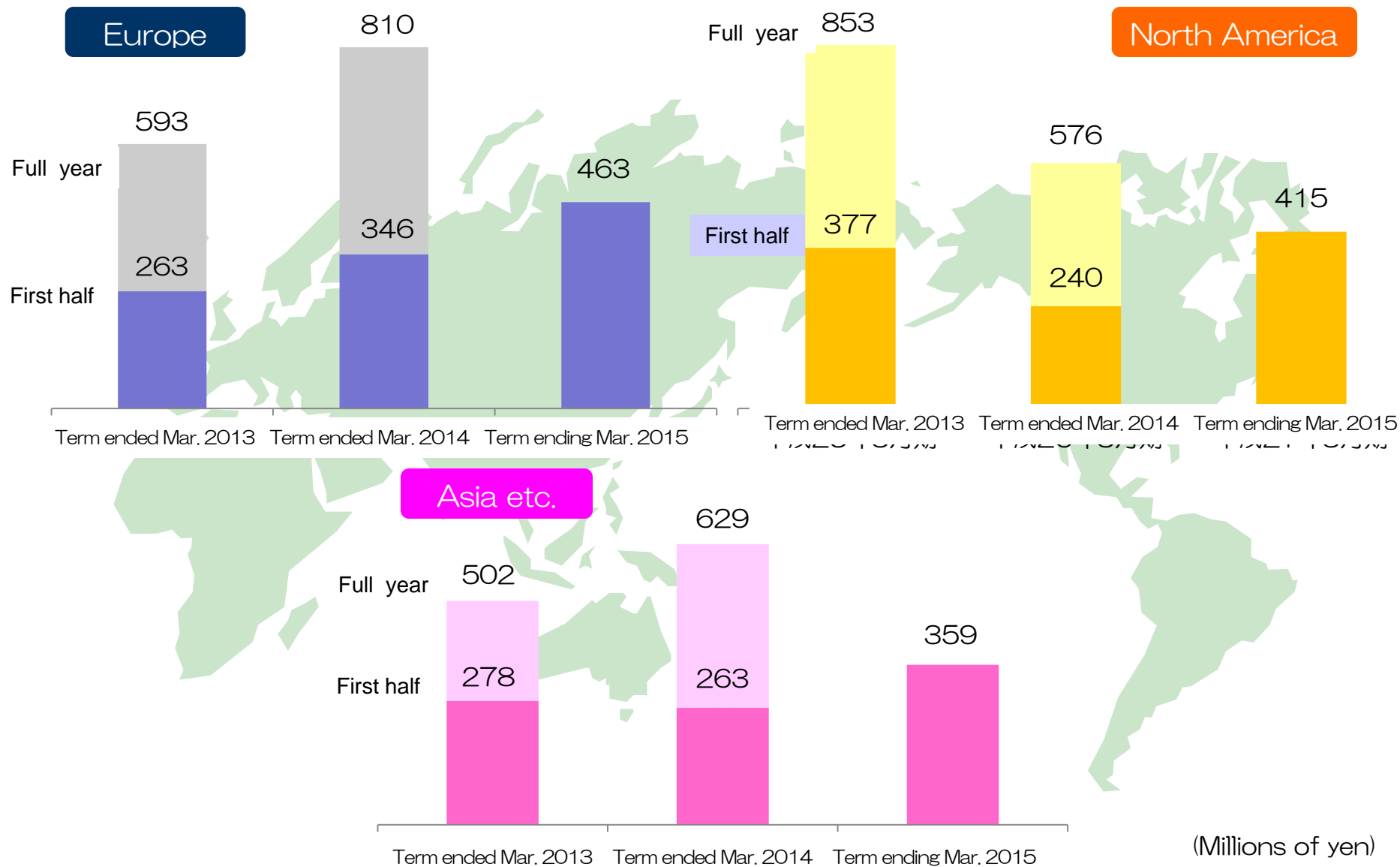


## Sales for product category

- 48% increase in sales of OC reagents
- 39.9% increase in sales of Medical devices.

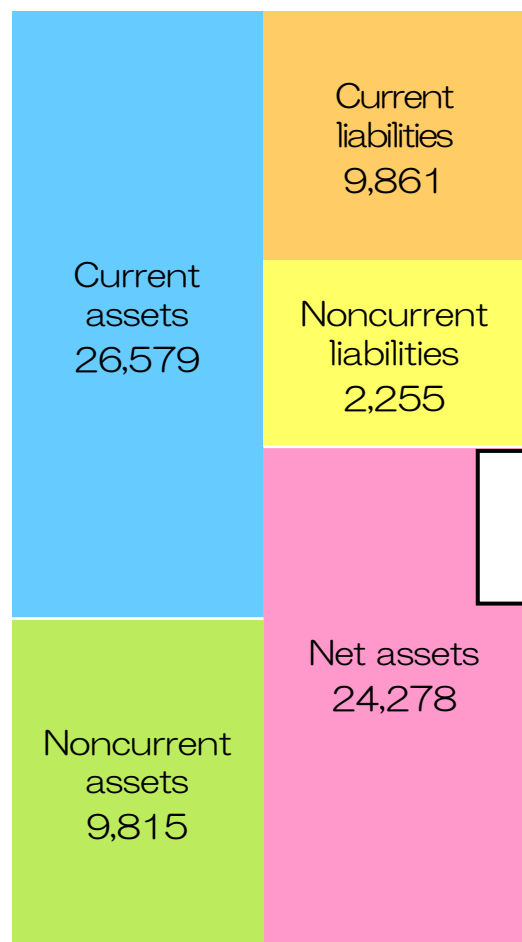


# Consolidated overseas sales



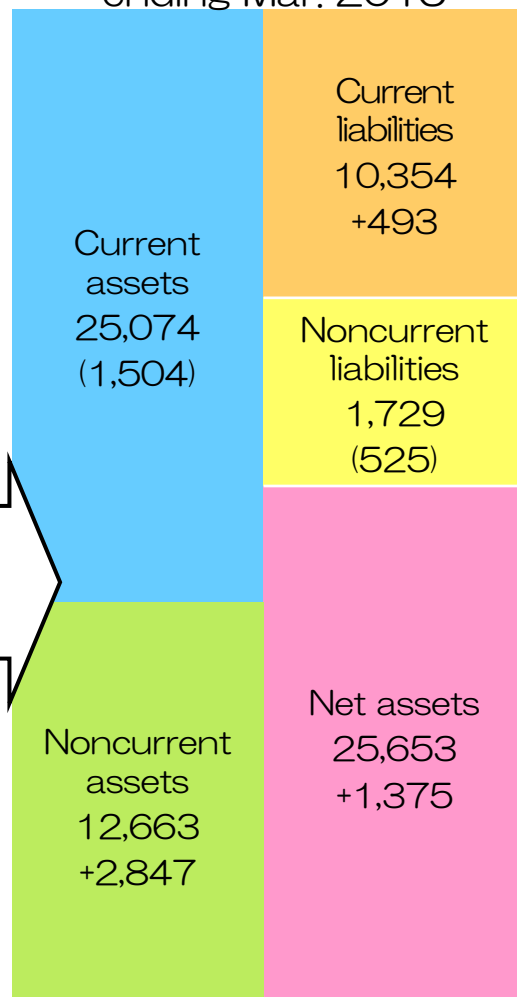
# Consolidated balance sheets

Term ended Mar. 2014



Total assets 36,395 million yen

First half of the term ending Mar. 2015



Total assets 37,737 million yen  
+1,342 million yen

## Main reasons of increase/decrease

### Current assets

Cash and deposits	Δ2,722
Notes and account receivable	1,112

### Noncurrent assets

Property, plant and equipment	110
Intangible assets	49
Long-term time deposits	2,900

### Current liabilities

Electronically recorded obligations-operating	248
Income taxes payable	259

### Noncurrent liabilities

Asset retirement obligations	Δ475
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### Total net assets

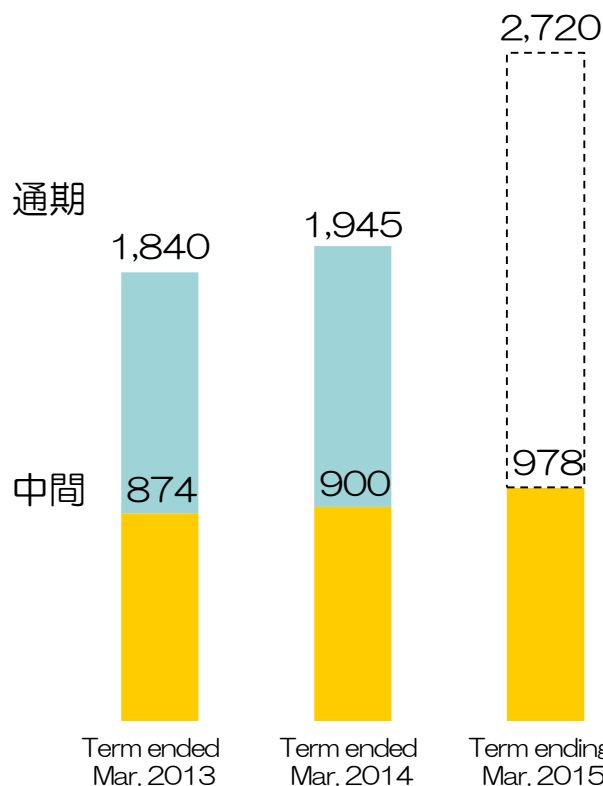
Retained earnings	1,220
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# R&D cost and investment in equipment (consolidated)

■ First half
 ■ Full year

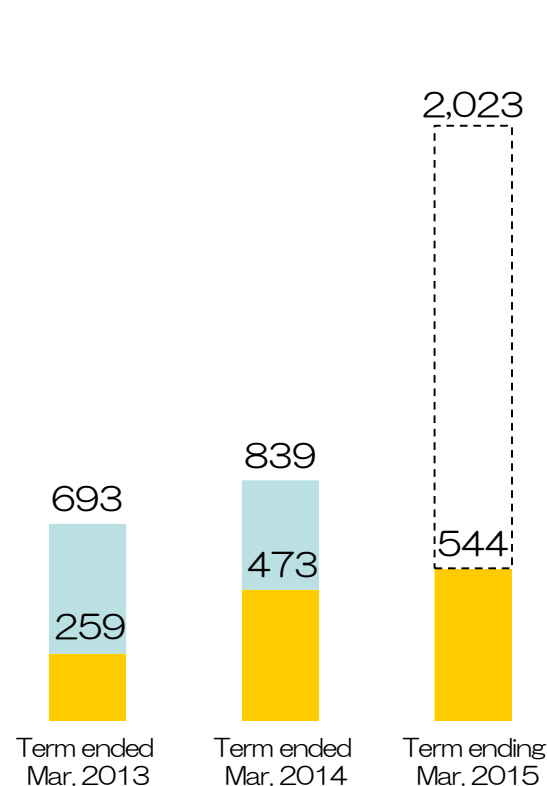
## R&D cost

(Millions of yen)



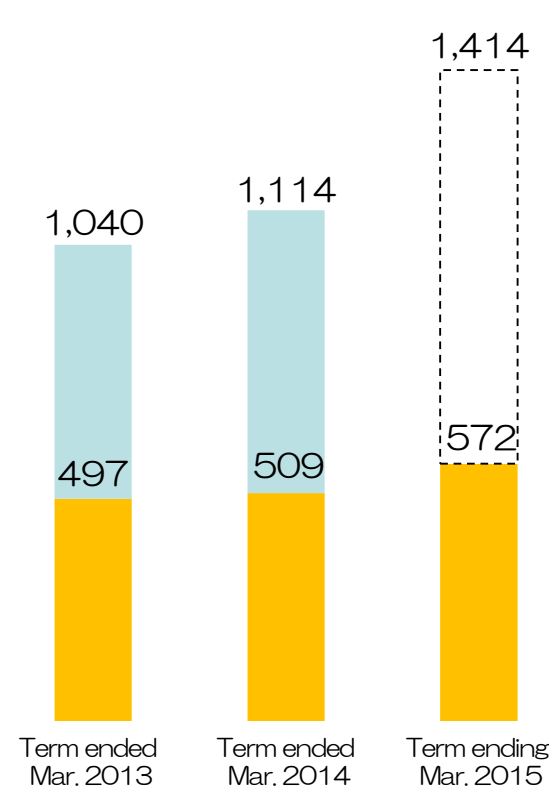
## Investment in equipment

(Millions of yen)



## Depreciation and amortization

(Millions of yen)





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Primary strategies for the first  
second quarter ending  
Mar. 2015

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# Primary strategies for the first second quarter ending Mar. 2015

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## Japan : Increase the market share

- (1) Fecal occult blood test reagents - OC -
  - Increasing the sales by promotion of screening for colorectal cancer.
  
- (2) General test reagents(urinalysis test strip)
  - Promotion of Uropaper.
  
- (3) Immunological and serological reagents
  - Sales promotion of reagents for ABC classification. — H. pylori, Pepsinogen —  
Launch of the “ LZ test ‘EIKEN’ H. pylori antibody ”
  
- (4) Microbiological reagents
  - Launch of the microbial systematic identification analyzer “ MALDI bio typer MF ” •
  - Launch of the reagent and analyzer for drug sensitivity testing “ Dry plate 192” , “ DPS192iX ” .
  
- (5) Molecular genetics - Loopamp -
  - Sales promotion of LAMP reagent for tuberculosis, mycoplasma etc.

# Primary strategies for the first second quarter ending Mar. 2015

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## Overseas expansion of the business — OC, LAMP —

### U.S.

- Sales promotion of OC reagents and medical devices.

### Europe

- (1) Expand OC reagents and medical devices.
  - Correspond to adoption of OC. — France, England, etc. —
- (2) Promotion of automated urine analyzer and urinalysis test trip.
  - Sales promotion in Italy.

### Asia, etc

- (1) Expand OC reagents and medical devices.
  - Adoption in new market, and correspond to expand market.
    - — Thailand, Hong Kong, Australia
- (2) Promotion of Chinese business.
  - Expand LAMP reagents and medical devices.

# Primary strategies for the first second quarter ending Mar. 2015

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## FIND business

### (1) Tuberculosis test

- Continue to collect clinical data towards the acquirement of recommendation of WHO.  
—At 14 countries in Africa, South-East Asian countries, etc. —
- Continue the work of application for CFDA — China —

### (2) Malaria

- Launching screening reagents for malaria eradication project.

### (3) HAT — Human African Trypanosomiasis —

- Continuing clinical tests in Uganda and Congo.
- Reagents for the eradication project were sold in 6 African countries.

### (4) Leishmaniasis

- The assessment of sample by FIND continued to be carried out.

### (5) Chagas' disease

- Development of a trial product.

# Primary strategies for the first second quarter ending Mar. 2015

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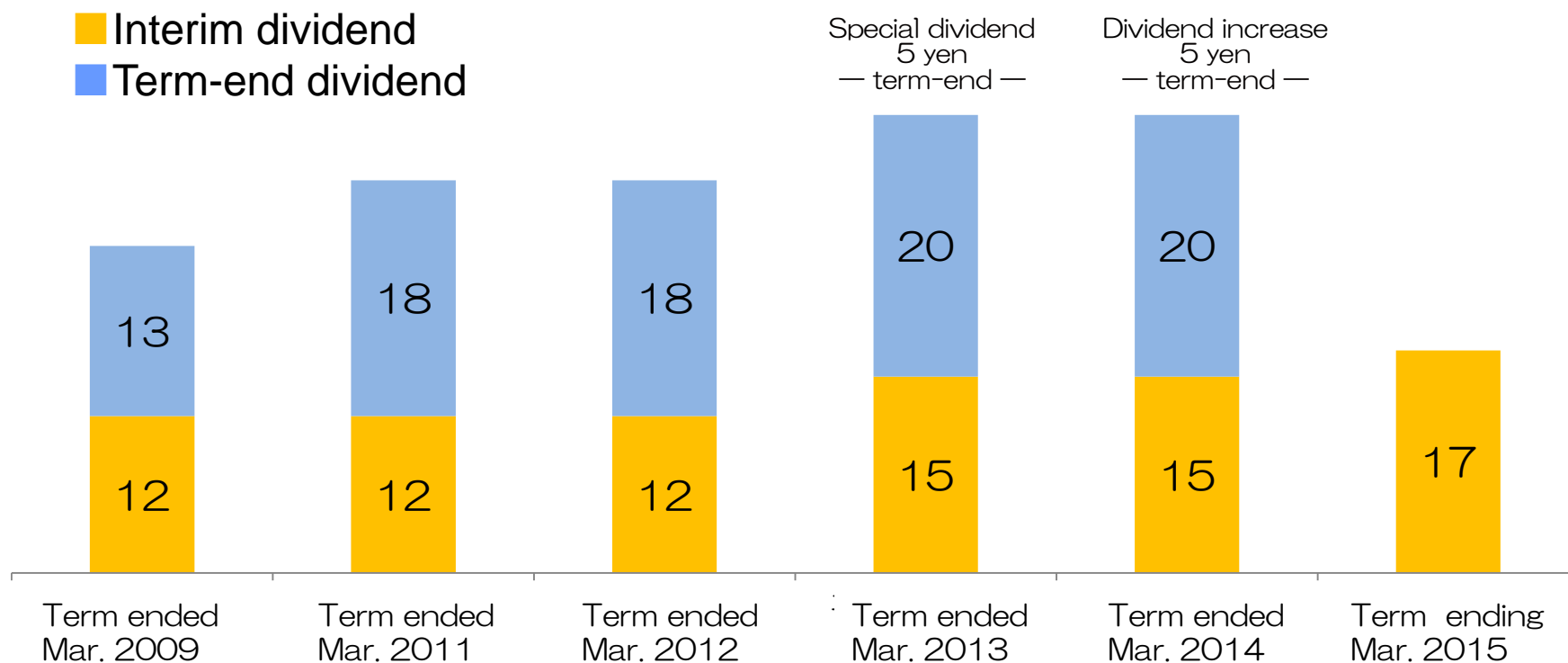
## Improvements in productivity, development of human resources , CSR, etc.

- (1) Improving the cost to sales ratio.
- (2) In order to increase productivity, sales administrative expenses were reduced by optimizing work flow.
- (3) Continued training was implemented to improve skills and for operation of the new quality control system .
- (4) Personnel were trained as part of the skill development vision.
- (5) Support of BRAVE CIRCLE, campaign to eliminate colon cancer.

# Return to shareholders - interim dividend -

Interim dividend : 17 yen per share

Consolidated total interim dividends : 310 Millions of yen



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Primary strategies and earnings  
forecast for the term ending  
Mar. 2015

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# Primary strategies for the term ending Mar. 2015

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## Sales promotion

(1) Increase the market share in the domestic market.

- Priority products  
OC reagents, Urinalysis reagents, LZ-test, Drug sensitivity tests
- Maintain of sales  
AIA, HbA1c, Microbiological reagents.
- Bring up of sales  
LAMP, POCT, BLEIA, Clinical chemistry reagents, Industrial reagents.

(2) Expansion of the business in the international market.

- Building OC brand and expansion of sales of OC in screening of colorectal cancer.
- Promotion of LAMP products.
- Deployment strategy of Immunological reagents and POCT products.
- Promotion of automated urine analyzer and urinalysis test trip.



# Primary strategies for the term ending Mar. 2015

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## Strengthening of research and development

- (1) Apply knowledge of customer needs to products development.
- (2) Promotion of development of LAMP, BLEIA, POCT and drug sensitivity tests.
- (3) Product improvement by fine-tuning existing technology.
- (4) Research in finding new biomarker and developing new testing technology.
- (5) Continue FIND business —TB, Malaria, HAT, Leishmaniasis, Chagas' disease —

## Improvements in productivity, development of human resources , CSR, etc.

- (1) Improving the cost to sales ratio.
- (2) In order to increase productivity, sales administrative expenses were reduced by optimizing work flow.
- (3) Continued training was implemented to improve skills and for operation of the new quality control system .
- (4) Personnel were trained as part of the skill development vision.
- (5) Support of BRAVE CIRCLE, campaign to eliminate colon cancer.

# Consolidated earnings forecast for the term ending Mar. 2015

## Target value (revision)

(Millions of yen)

	Consolidated			Non-consolidated		
	Amount	Ratio [%]	YoY change [%]	Amount	Ratio [%]	YoY change [%]
Net sales	31,320	100.0%	104.3%	31,120	100.0%	103.6%
Operating income	2,900	9.3%	96.4%	2,900	9.3%	96.3%
Ordinary income	2,930	9.4%	94.7%	2,910	9.4%	94.8%
Net income	1,870	6.0%	94.2%	1,850	5.9%	94.4%

## Overseas sales

(Millions of yen)

	Term ended Mar. 2014 Actual results	Term ending Mar. 2015 Target value	Variation
Sales	2,017	2,950	932
Ratio	6.7 %	9.4 %	(YOY : 146.2 %)

## Dividend

(yen)

	Interim dividend	Term-end dividend	Annual
	17	18	35



**EIKEN CHEMICAL CO., LTD.**

We protect the health of the public through health care services

<http://www.eiken.co.jp>