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The business performance briefing  
for the first second quarter of  
fiscal year ending Mar. 31 2016  
(the 78<sup>th</sup> term)

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**EIKEN CHEMICAL CO., LTD.**

Oct. 26, 2015

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Operating results for the first  
second quarter of  
fiscal year ending Mar. 31 2016  
(the 78<sup>th</sup> term)

# Consolidated performance for the first second quarter ending Mar. 2016 -the 78<sup>th</sup> term-

(Millions of yen)

	First second quarter ending Mar. 31 2016					
	Target value	Actual results	Ratio	Difference from target value	YoY change	Ratio
Net sales	16,830	16,297	100.0%	(532)	478	103.0%
Operating income	1,920	1,958	12.0%	38	103	105.6%
Ordinary income	1,940	1,984	12.2%	44	29	101.5%
Net income attributable to shareholders of parent company	1,350	1,262	7.7%	(87)	(87)	93.6%

# Consolidated performance for the first second quarter ending Mar. 2016

-the 78<sup>th</sup> term-

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## 【Sales】

Domestic sales were almost unchanged, and overseas sales increased, up 41.8% year-on-year.

### Domestic

- Sales of Uropaper, Uropaper  $\alpha$ , reagents for general-purpose fully automated analyzers “LZ Test ‘EIKEN’ ”, and medical devices increased.  
Sales of fecal immunochemical test reagents, and microbiological reagents decreased.

### Overseas

- Sales of both fecal immunochemical test reagents and analyzers in North America and Europe strongly increased, in line with the start of the colorectal cancer screening test in France and Spain - Barcelona, Madrid - .

## 【 Operating income 】

- Up 5.6% year-on-year.

The cost of sales ratio increased, due to the proportion change of the lineup. Besides, regarding selling, general and administrative expenses, to make more efficient use of expenses, resulted decrease year-on-year.

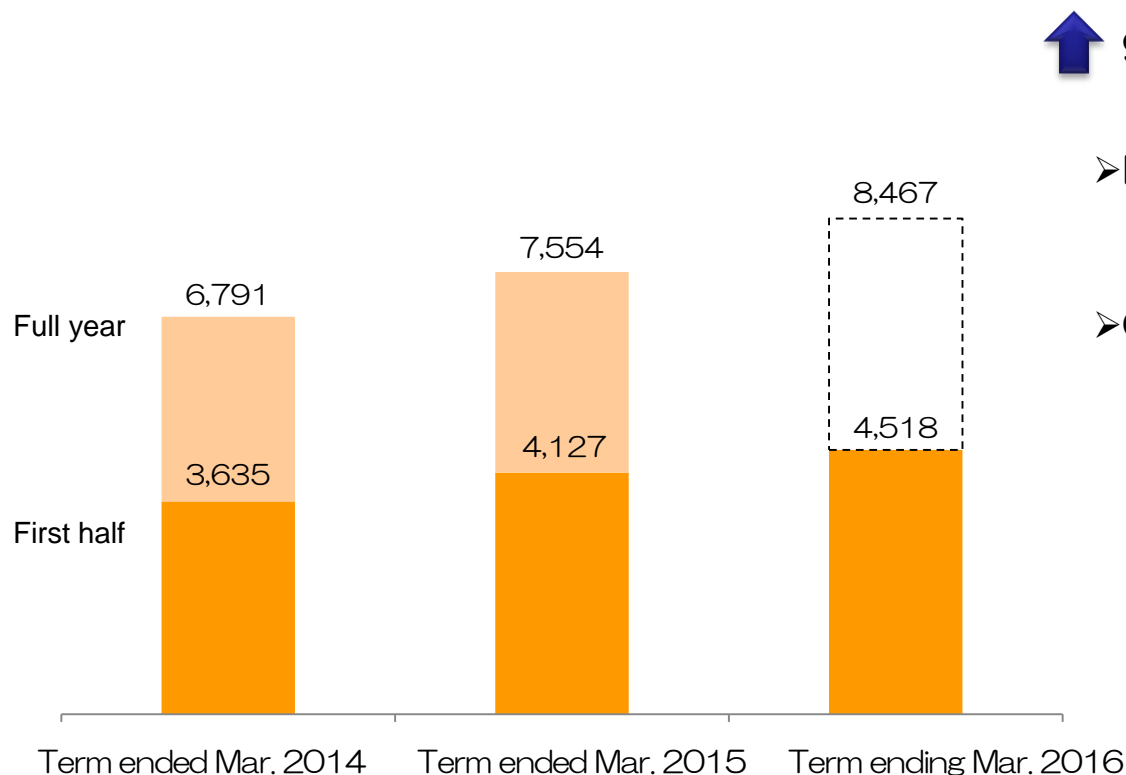
## 【 Net income attributable to shareholders of parent company 】

- Down 6.4% year-on-year reesulting from a 165 million yen extraordinary loss, which is due to the dismantling cost for the construction of a new manufacturing building at the Nogi Plant.

# Consolidated sales for product category

(Millions of yen)

Fecal occult blood diagnostic reagents (OC)	Term ended Mar. 2014		Term ended Mar. 2015		Term ending Mar. 2016
	First half	Full year	First half	Full year	First half
	3,635	6,791	4,127	7,554	4,518



↑ 9.5% year-on-year.

➤ Domestic sales  
 ↓ 0.9% year-on-year.

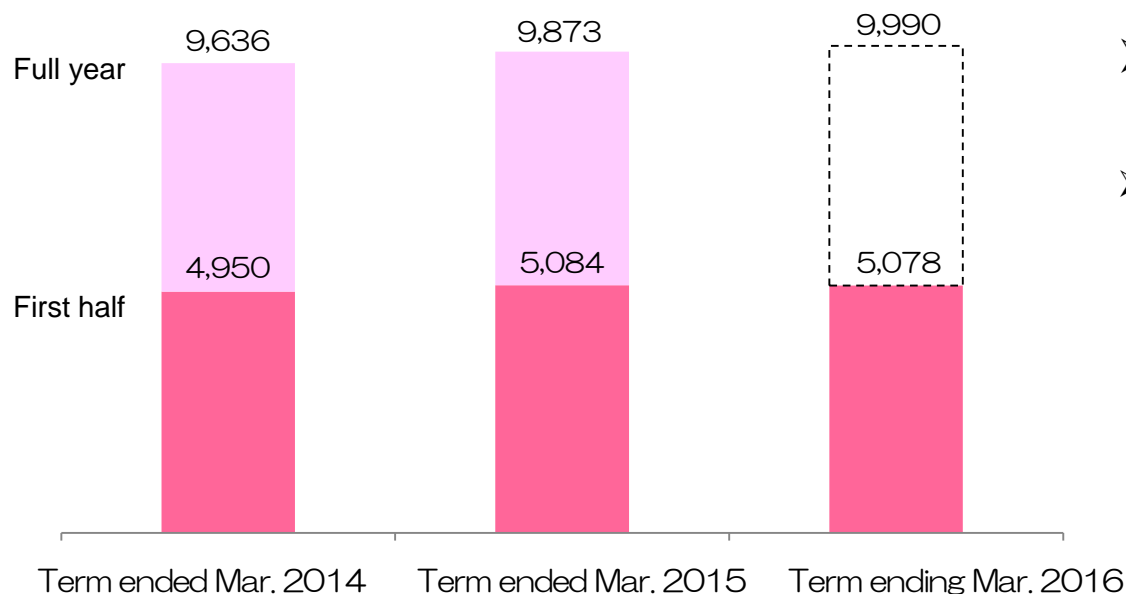
➤ Overseas sales  
 ↑ 46.8% year-on-year.  
 The sales in Europe, America and Asia increased.



# Consolidated sales for product category

(Millions of yen)

Immunological and serological reagents (exclude OC)	Term ended Mar. 2014		Term ended Mar. 2015		Term ending Mar. 2016
	First half	Full year	First half	Full year	First half
	4,950	9,636	5,084	9,873	5,078



↓ 0.1 % year-on-year.

➤ ↑ LZ Test

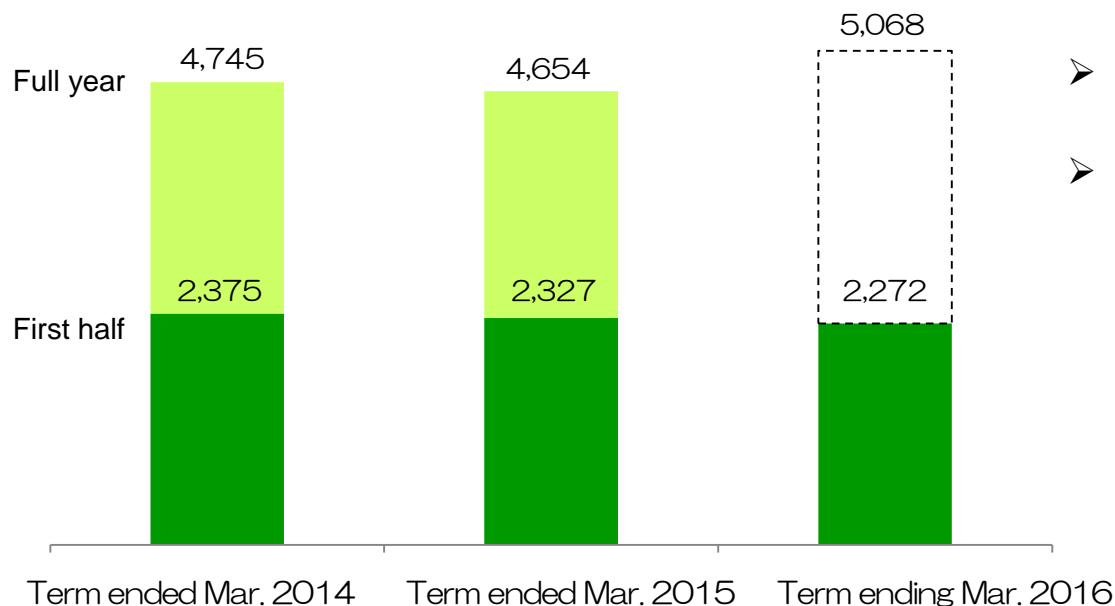
➤ ↓ EIA reagents, AIA reagents



# Consolidated sales for product category

(Millions of yen)

Microbiological reagents	Term ended Mar. 2014		Term ended Mar. 2015		Term ending Mar. 2016
	First half	Full year	First half	Full year	First half
	2,375	4,745	2,327	4,654	2,272



↓ 2.4 % year-on-year.

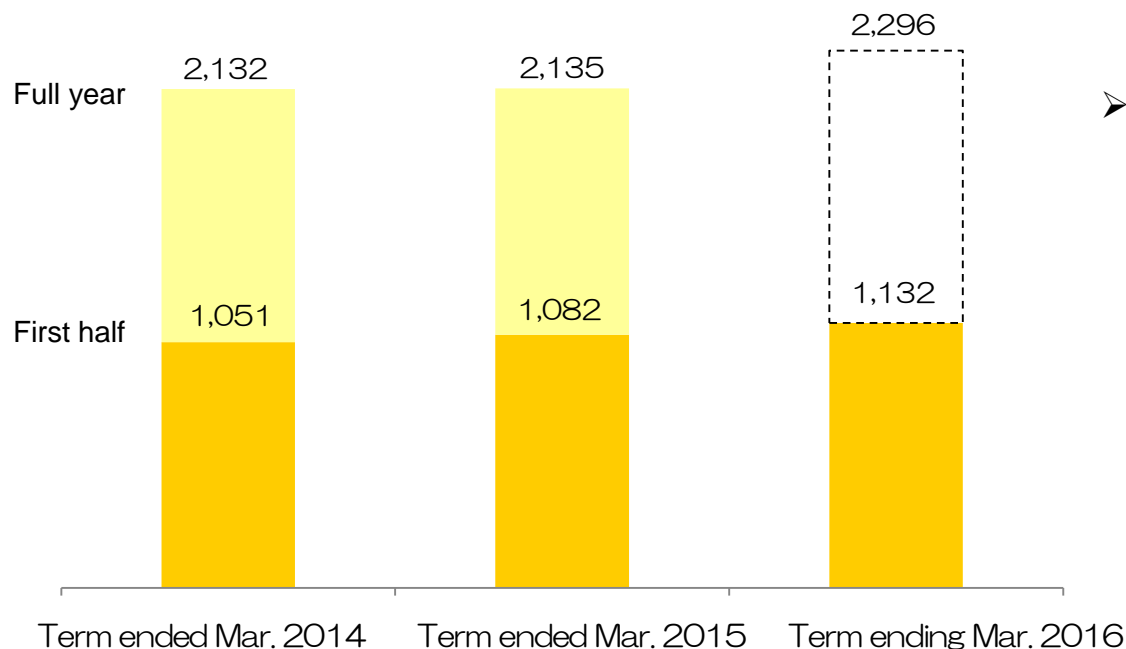
- ↓ Prepared media.
- ↓ Reagents for POCT.



# Consolidated sales for product category

(Millions of yen)

Urinalysis test strips	Term ended Mar. 2014		Term ended Mar. 2015		Term ending Mar. 2016
	First half	Full year	First half	Full year	First half
	1,051	2,132	1,082	2,135	1,132



↑ 4.6% year-on-year.

➤ ↑ Urinalysis test strips "Uropaper" and "Uropaper α" for the automatic urine analyzer.



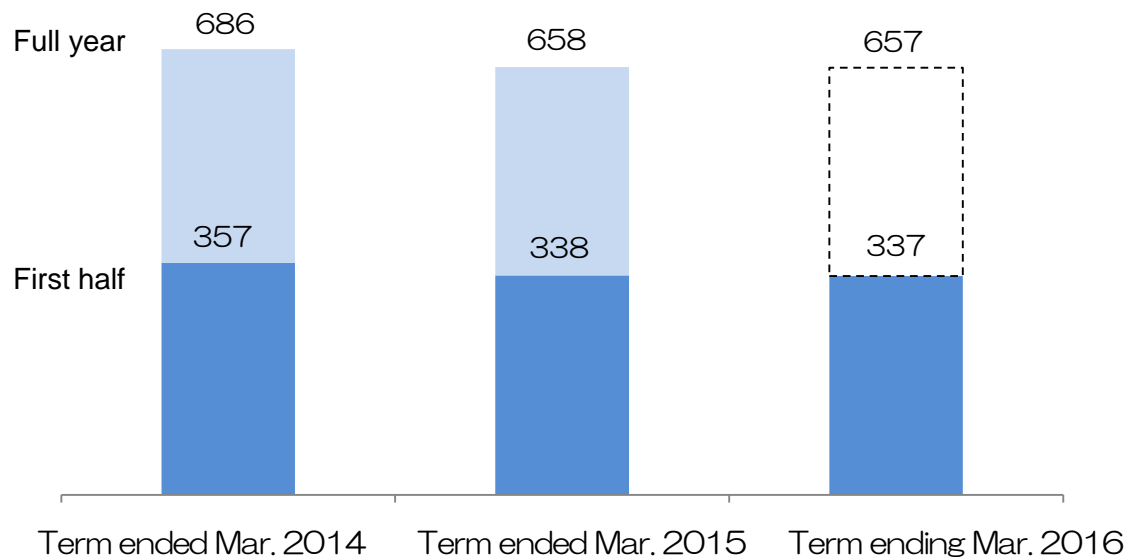


# Consolidated sales for product category

(Millions of yen)

Clinical chemistry reagents	Term ended Mar. 2014		Term ended Mar. 2015		Term ending Mar. 2016
	First half	Full year	First half	Full year	First half
	357	686	338	658	337

↓ 0.6% year-on-year.

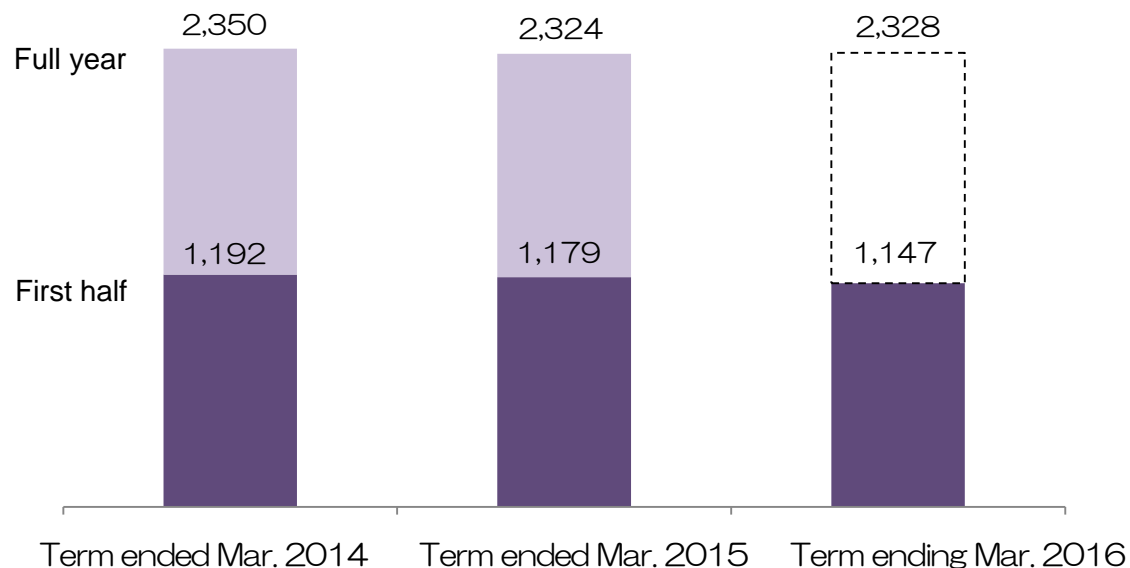


# Consolidated sales for product category

(Millions of yen)

Culture media for equipment, food and environment category	Term ended Mar. 2014		Term ended Mar. 2015		Term ending Mar. 2016
	First half	Full year	First half	Full year	First half
	1,192	2,350	1,179	2,324	1,147

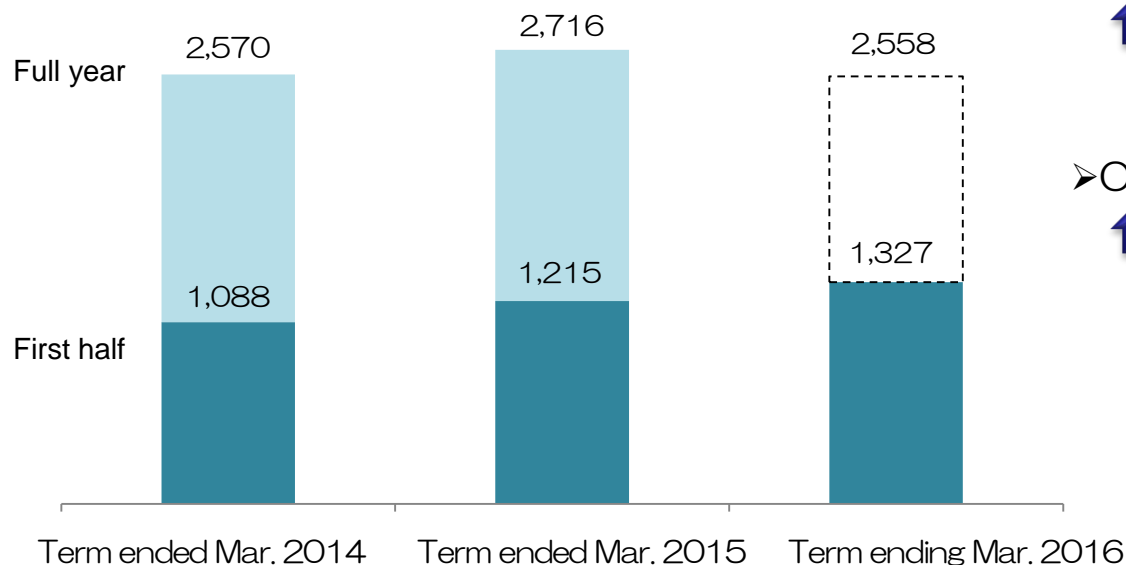
↓ 2.8% year-on-year.



# Consolidated sales for product category

(Millions of yen)

Medical devices (exclude molecular genetics)	Term ended Mar. 2014		Term ended Mar. 2015		Term ending Mar. 2016
	First half	Full year	First half	Full year	First half
	1,088	2,570	1,215	2,716	1,327



↑ 9.2% year-on-year.

## ➤ Domestic sales

↑ Analyzers for microbiological tests, urine tests and fecal immunochemical tests.

## ➤ Overseas sales

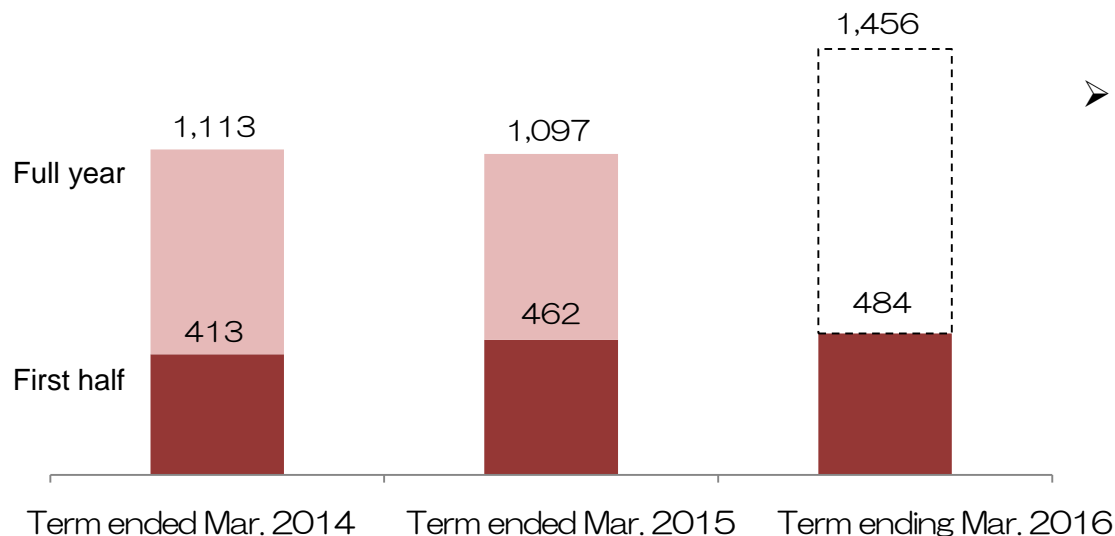
↑ Analyzers for fecal immunochemical tests.



# Consolidated sales for product category

(Millions of yen)

Molecular genetics (LAMP) (include devices)	Term ended Mar. 2014		Term ended Mar. 2015		Term ending Mar. 2016
	First half	Full year	First half	Full year	First half
	413	1,113	462	1,097	484



↑ 4.6 % year-on-year.

- ↑ Reagents for TB and *Mycoplasma*
- Patent rights income. 189 millions yen.



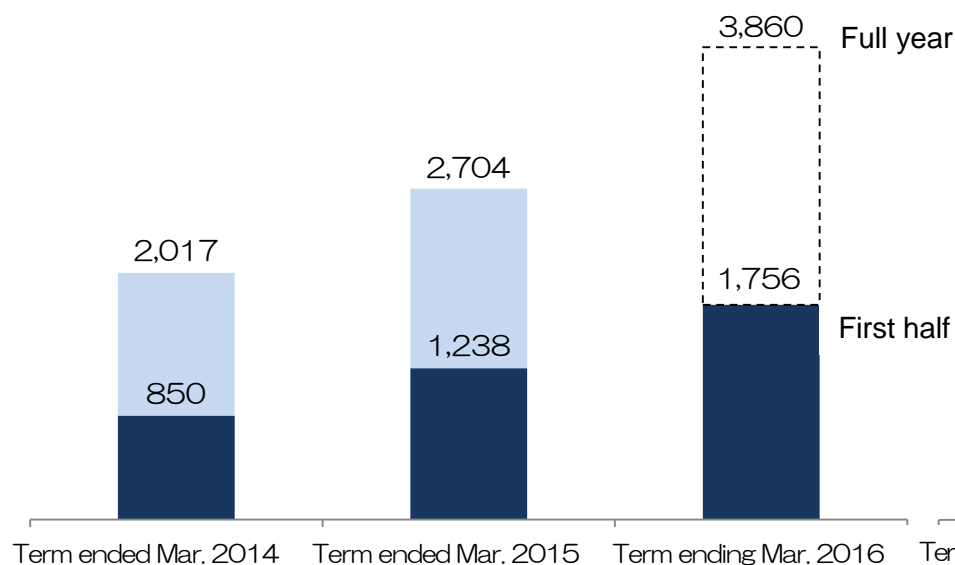
# Consolidated overseas sales

(単位：百万円)

Overseas sales	Term ended Mar. 2014		Term ended Mar. 2015		Term ending Mar. 2016
	First half	Full year	First half	Full year	First half
	850	2,017	1,238	2,704	1,756

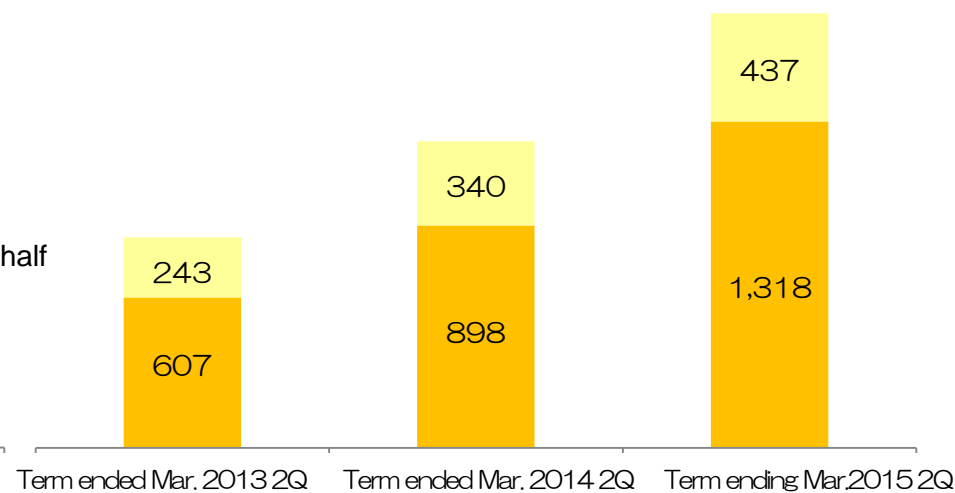
## Sales

↑ 41.8 % year-on-year

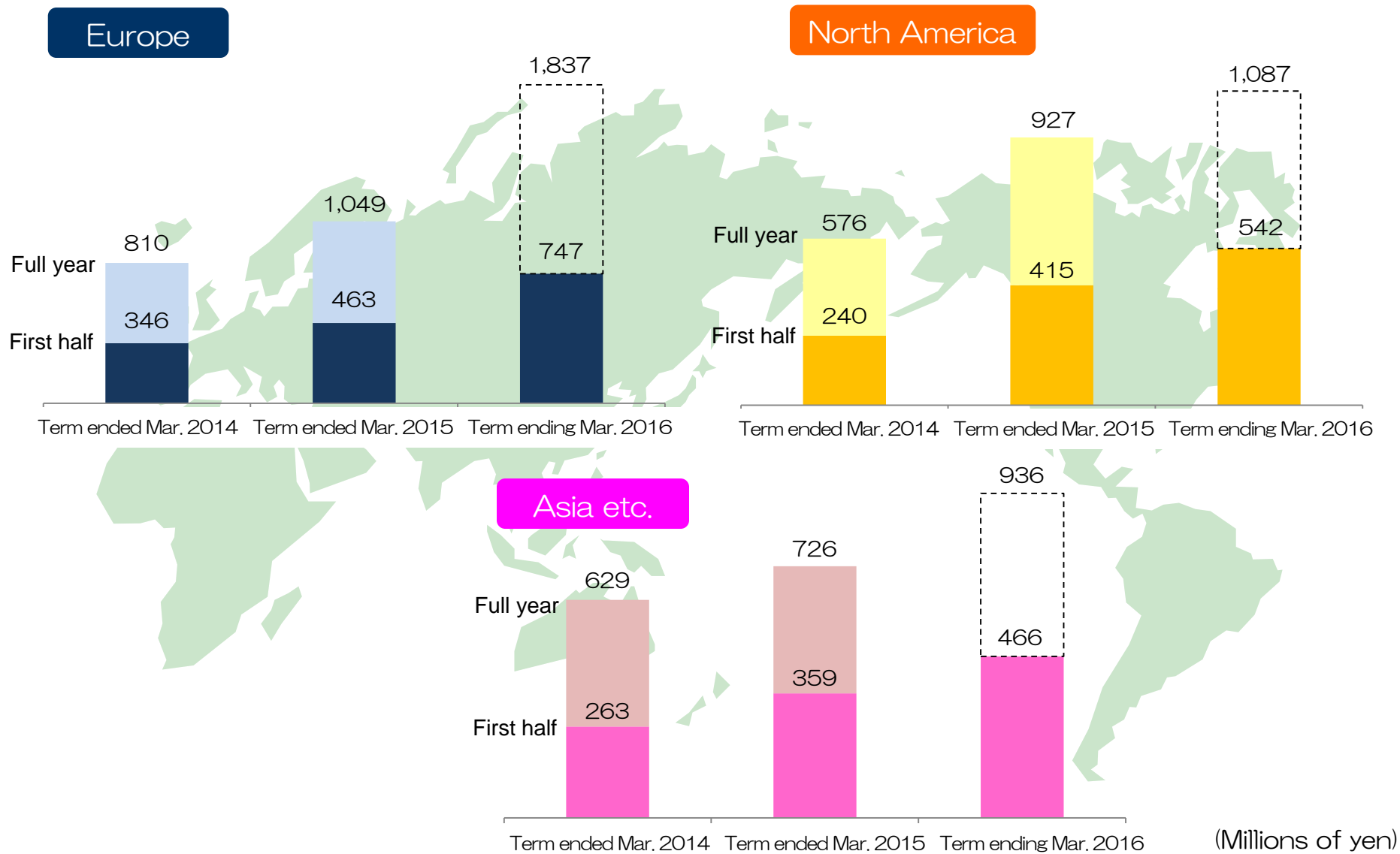


## Sales for product category

- Fecal immunochemical test reagents(OC)  
↑ 46.8% year-on-year.
- Others  
↑ 28.5% year-on-year.

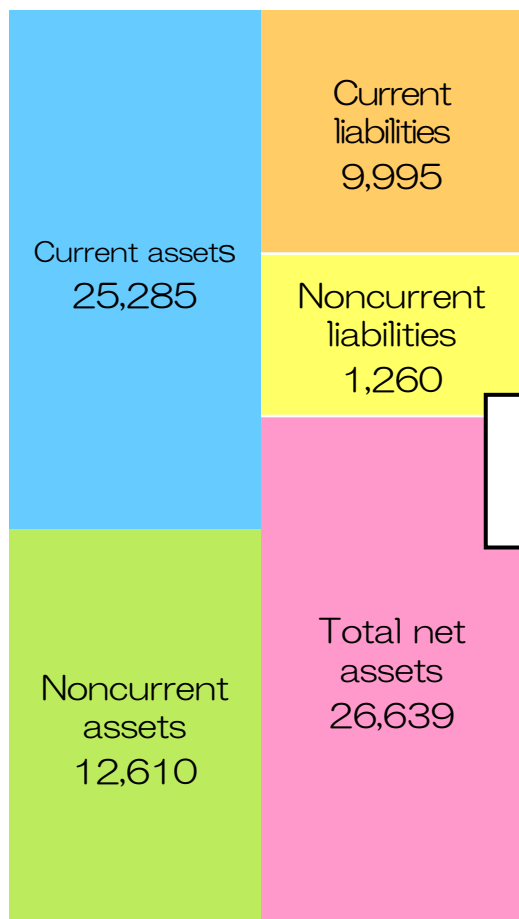


# Consolidated overseas sales



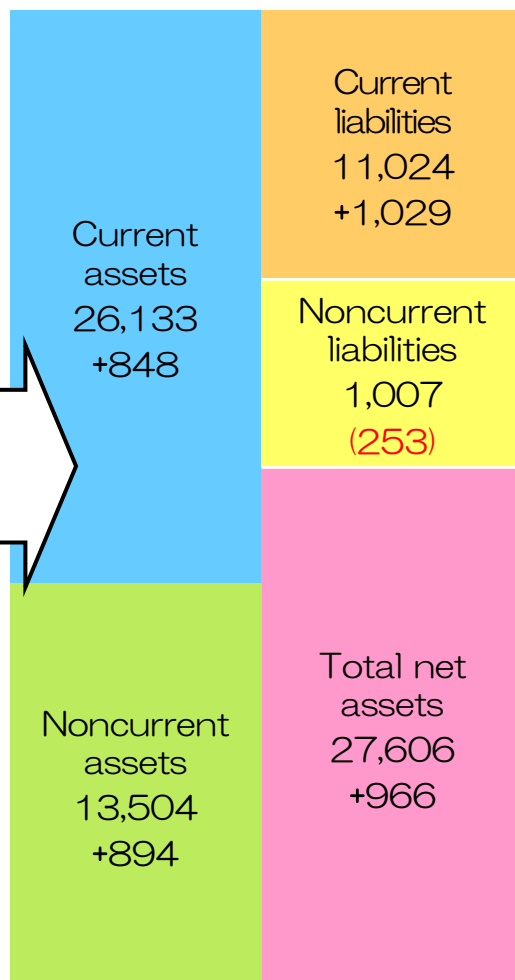
# Consolidated balance sheets

Term ended Mar. 2015



Total asset **37895** million yen

First half of the term ending Mar. 2016



Total assets **39,638** million yen  
**1,742** million yen year-on-year

Main reasons of increase/decrease

(Millions of yen)

Current assets	Changes
Cash and deposits	(463)
Note and accounts receivable - trade	1,038
Noncurrent assets	
Property, plant and equipment	592
Intangible assets	52
Current liabilities	
Notes and accounts payable - trade	226
Electronically recorded obligations	193
Electronically recorded obligations-non-operating	648
Income taxes payable	85
Noncurrent liabilities	
Long-term accounts payable - other	(270)
Total net assets	
Retained earnings	932

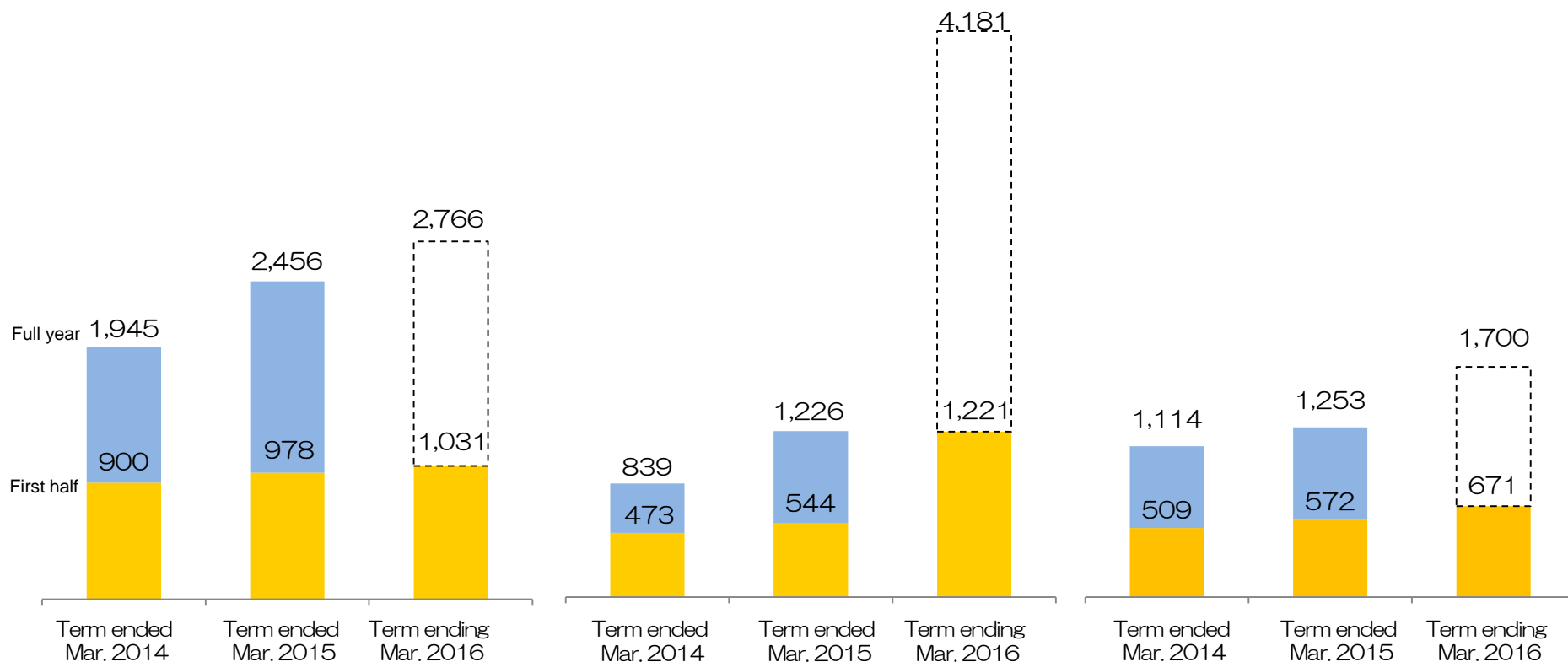
# R&D cost and investment in equipment (consolidated)

(Millions of yen)

## R&D cost

## Investment in equipment

## Depreciation and amortization





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# Primary strategies for the first second quarter ending Mar. 2016

# Primary strategies for the first second quarter ending Mar. 2016

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## Japan : Increase the market share

- ( 1 ) Fecal immunochemical test reagents - OC -
  - Expansion of sales in line with the expansion of screening tests for colon cancer.
  - Promotion of fecal immunochemical test reagents by launch of the analyzer “OC sensor PLEDIA” .
- ( 2 ) Urinalysis test strips
  - Promotion of Urinalysis tests by launch of the analyzer “US-3500” .
- ( 3 ) Immunological and serological reagents
  - Promotion of ABC classification and expansion of sales reagents for test of the helicobacter-pylori antibody in the blood and Pepsinogen.
- ( 4 ) Microbiological reagents
  - Promotion of combination of the analyzer for drug sensitivity testing “DPS192iX” , “Dry plate 192” and the microbial systematic identification analyzer.
  - Promotion of reagents for POCT “Immunocatch series” .
- ( 5 ) Molecular genetics
  - Promotion of LAMP products. - for TB, *Mycoplasma* -

# Primary strategies for the first second quarter ending Mar. 2016

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## Overseas: Promotion of expansion of the business

### U.S.

- Sales promotion of OC reagents and analyzers.

### Europe

- OC
  - The national colon cancer screening in France and Spain -Madrid and Barcelona - contributed to sales.
  - Correspond to adoption. — England, etc. —
- Urinalysis test
  - Promotion of automated urine analyzer and urinalysis test trip in Italy.

### Asia, etc

- OC
  - Activities for the new adoption and expansion of sales.  
— Australia, New Zealand, etc. —
- Emerging country
  - Activity for expansion of the market. — ASEAN, India —

# Primary strategies for the first second quarter ending Mar. 2016

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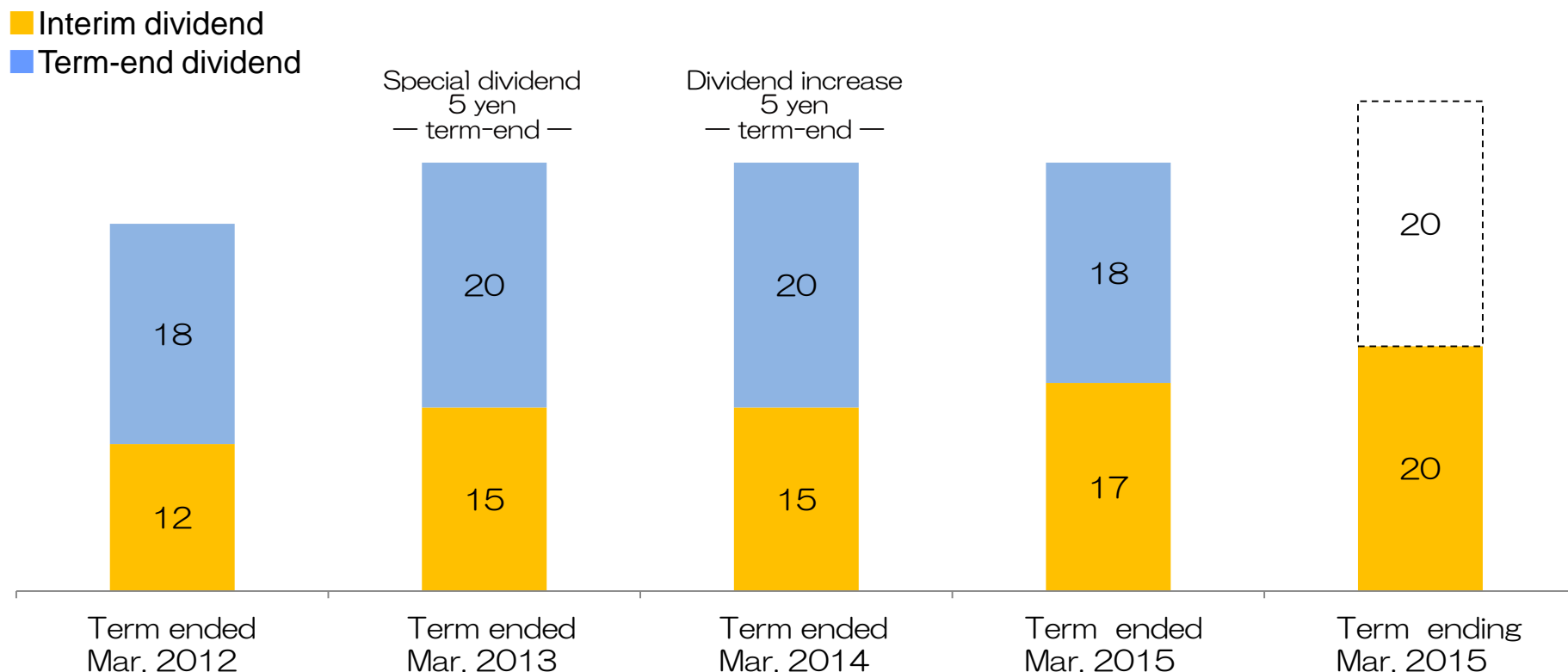
## Promotion of research and development

- ( 1 ) Development of LAMP and POCT products.
  - Development of the next-generation compact fully automated genetic testing device and multi-item testing chip, using the LAMP method.
  - Line up of POCT products.
  
- ( 2 ) Development of OTC reagents for fecal immunochemical tests.
  
- ( 3 ) FIND business - TB; Obtain WHO recommendation -
  - Implementation and data analysis of third-party organization evaluation trials for the WHO recommendation.
  
- ( 4 ) Increase in productive capacity and reduction in manufacturing costs by renewal of a building and manufacturing equipment.
  - Construction of a new energy building. (June 2015.)
  - Start of construction of new equipment and a new manufacturing building of urine test strips.

# Return to shareholders - interim dividend -

Interim dividend : 20 yen per share

Consolidated total interim dividends : 365 Millions of yen



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# Primary strategies and earnings forecast for the term ending Mar. 2016

# Primary strategies for the term ending Mar. 2016

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## Sales promotion

### ( 1 ) Domestic market

- Promotion of fecal immunochemical test reagents and expansion of new clients by the analyzer “OC sensor PLEDIA” .
- Promotion of urinalysis test strips and expansion of new clients by the analyzer “US-3500” .
- Promotion of the ABC classification and focus on sale of reagents for it.
- Promotion of drug sensitivity testing reagents and expansion of new clients by combining sales of the analyzer for drug sensitivity testing “ DPS192iX ” and the microbial systematic identification analyzer “ MALDI bio typer MF ” ,
- Launch of LAMP reagents and POCT products “Immunocatch series”

### ( 2 ) International market

- Development of market share and new business in the expansion market.
  - Building OC brand in screening of colon cancer and expansion of sales.
    - Adoption national screening tests. -
  - Promotion of urinalysis test strips ‘Uro paper  $\alpha$ ’ and analyzer.
  - Promotion of LMAP products and LZ tests series in China.
- Expansion into an emerging market. - ASEAN, India, Mideast - : Selection of distributor.
- Selection of distributor for global expansion of LAMP products. - TB, Malaria -

# Primary strategies for the term ending Mar. 2016

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## Strengthening of research and development etc.

- ( 1 ) Promotion of research new bio-marker and new diagnostics technology.
  - Promotion of joint research with University and research institutions.
  - Promotion of development and introduction of new technology seeds.
  
- ( 2 )Promotion of development of new products.
  - The next-generation compact fully automated genetic testing device and multi-item testing chip.
  - Lineup of POCT products. : Lineup of respiratory infections item.
  - Lineup of LZ test series .
  
- ( 3 ) Development of OTC reagents for fecal immunochemical tests.
  
- ( 4 ) Obtain WHO recommendation. — TB-LAMP —
  
- ( 5 ) Increase in productive capacity and reduction in manufacturing costs by renewal of a building and manufacturing equipment.
  - Construction of new manufacturing building and introduction of new facilities of urine test strips.



# Consolidated earnings forecast for the term ending Mar. 2016

## Target value (revision)

(Millions of yen)

	Consolidated			Non-consolidated		
	Amount	Ratio [%]	YoY change [%]	Amount	Ratio [%]	YoY change [%]
Net sales	32,820	100.0%	105.8%	32,750	100.0%	105.7%
Operating income	3,330	10.1%	117.8%	3,380	10.3%	116.4%
Ordinary income	3,350	10.2%	111.2%	3,380	10.3%	112.1%
Net income attributable to shareholders of parent company	2,180	6.6%	103.8%	2,210	6.7%	105.1%

## Overseas sales

(Millions of yen)

	Term ended Mar. 2015 Actual results	Term ending Mar. 2016 Target value	Variation
Sales	2,704	3,860	1,155 (YOY : 142.7%)
Ratio	8.7%	11.8%	

## Dividend

(yen)

	Interim dividend	Term-end dividend	Annual
	20	20	40

# Correspondence of Corporate governance code

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## [Principle 1-3 Basic policy of capital policy]

- Basic policy: Improvement of capital efficiency and sustained and stable shareholder returns.
- Indicators: ①ROE10%. (immediate goal)  
②Continuation of the dividend payout ratio of 30% or more of dividend consolidated.

## [Principles 5-2 Formulated and announced business plan]

- Publication of medium-term management plan: April 2016



**EIKEN CHEMICAL CO., LTD.**

We protect the health of the public through health care services

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