

The business performance briefing for the term ended Mar. 2016

Apr. 28, 2016

 **EIKEN CHEMICAL CO.,LTD.**

Consolidated performance for the term ended Mar. 2016 (the 78th term)

(Millions of yen)

	Term ended Mar. 2016					
	Target value	Actual results	Ratio	Difference from target value	YoY change	Ratio
Net sales	32,820	32,163	100.0%	(656)	1,148	103.7%
Operating income	3,330	3,536	11.0%	206	709	125.1%
Ordinary income	3,350	3,570	11.1%	220	556	118.5%
Net income*	2,180	2,429	7.6%	249	329	115.7%

* Net income attributable to shareholders of parent company

【Net sales】

- Down 656 million of yen compared to budget. Domestic sales were almost unchanged, and overseas sales increased, up 29.4% year-on-year.

【 Operating income 】

- Up 25.1% year-on-year.
- Continual reduction of manufacturing cost, and efficient use of expenses cost.

【Net income】

- Up 15.7% year-on-year.
- 183 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)

Product category	Term ended Mar. 2015		Term ended Mar. 2016	
	Actual results	YoY rate (%)	Actual results	YoY rate (%)
Fecal immunochemical test reagents (OC)	7,554	111.2	8,143	107.8
Immunological and serological reagents (exclude OC)	9,873	102.5	9,997	101.3
Urinalysis test strips (URO)	2,135	100.1	2,302	107.8
Microbiological reagents	4,654	98.1	4,603	98.9
Clinical chemistry reagents	658	95.9	643	97.6
Culture media for equipment, food and environment category	2,324	98.9	2,233	96.1
Medical devices (exclude molecular genetics)	2,716	105.7	3,077	113.3
Molecular genetics(LAMP) (include devices)	1,097	98.6	1,162	105.9

4

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Fecal immunochemical test reagents (OC)

□ YoY change : 107.8%

➤ Domestic sales

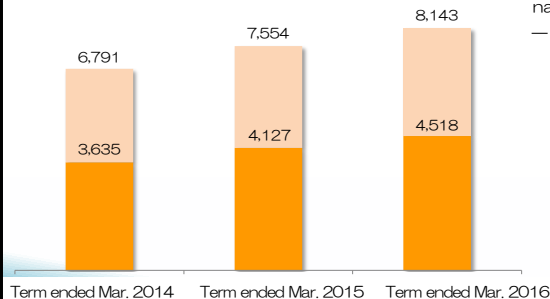
YoY change : 101.7%

- Promotion by the analyzer "OC sensor PLEDIA".
- Development of OTC reagents.

➤ Overseas sales

YoY change : 124.9%

- Promotion in U.S.A.
- Start of the national colon cancer screening in France and Spain.
- Expansion of sales in Australia and New Zealand.
- Continuance of the action on the adoption of the national colon cancer.
 - England, etc. —



5

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Immunological and serological reagents

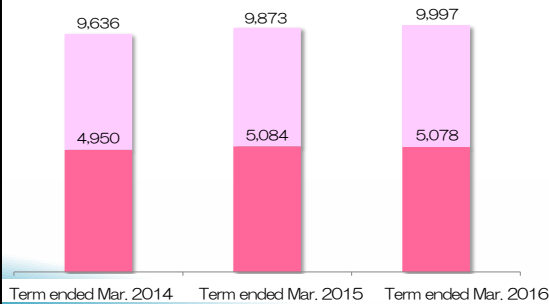
□ YoY change : 101.3%

➤ AIA reagents

□ AIA sales were on a par with last year's.

➤ LZ test reagents

- Promotion of ABC classification and focus on sales reagents for test of the helicobacter-pylori antibody in the blood .
- Launch of KL-6, Feb. 2016.



6

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Urinalysis test strips

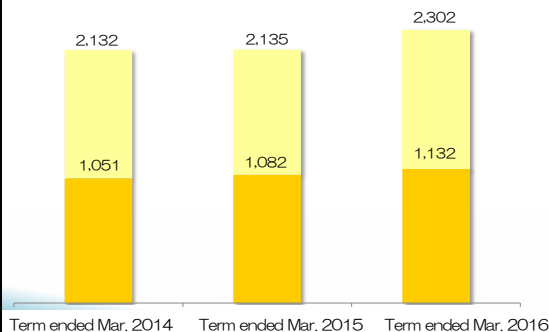
□ YoY change : 107.8%

➤ Domestic sales

□ Increase in sales "Uropaper α" by increase of new adoption of the automatic urine analyzer "US-3500".

➤ Overseas sales

- Increase in sales of urinalysis test strips for Italy.
- Start of provision of urinalysis test strips for Sysmex.
- Start of construction new manufacturing building - 11 May 2015 -, and ready to introduce of new equipment for urinalysis test strips.



7

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Microbiological reagents

□ YoY change : 98.9%

➤ Culture medium

□ Decline in sales mainly in feces medium under the influence of genetic testing.

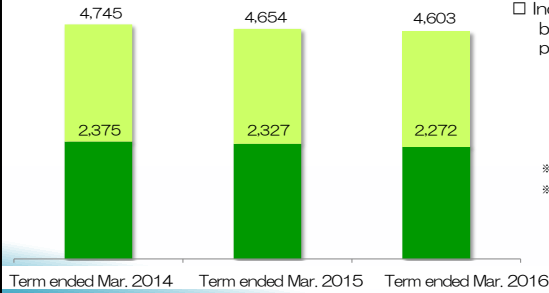
➤ Reagents for POCT

□ Decline in sales mainly in Immunocatch - noro virus.

□ Launch of "immuno catch -RSV" in August 2015 and "immuno-catch pneumococcal " in January 2016 as a line-up of respiratory infections.

➤ Antimicrobial susceptibility tests

□ Increase in sales from expand new adoption by combination of the DPS192iX^{※1}, 192 plate and MALDI Biotyper MF^{※2}.



※1 Microbial susceptibility analyzer.

※2 Microbial classification/identification Analyzer.

8

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Molecular genetics(LAMP)

□ YoY change : 105.9%

➤ Domestic sales

□ Reagents for TB, Malaria and *Mycoplasma*.

□ Promote the next-generation small-sized automatic genetic screening device and multi-item screening chip.

➤ Overseas sales

□ Action for obtain of WHO recommendation.

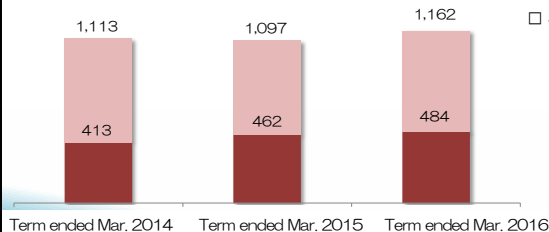
□ Preparation of contract for TB-LAMP and Malaria global business.

□ TB-LAMP was adopted private technology promotion business of JICA in Philippines.

➤ Licensing fee

□ 471 million yen.

YoY change: Decrease slightly



9

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Consolidated overseas sales

(Millions of yen)

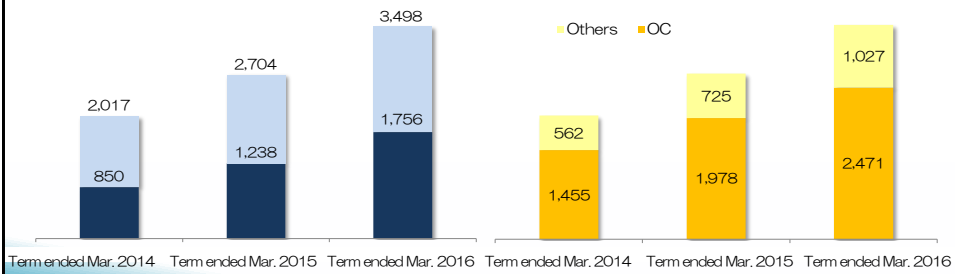
Overseas sales	Term ended Mar. 2014		Term ended Mar. 2015		Term ended Mar. 2016	
	First half	Full year	First half	Full year	First half	Full year
	850	2,017	1,238	2,704	1,756	3,498

Sales

YoY change : 129.4%

Sales for product category

- OC YoY change : 124.9%
- Others YoY change : 141.6%



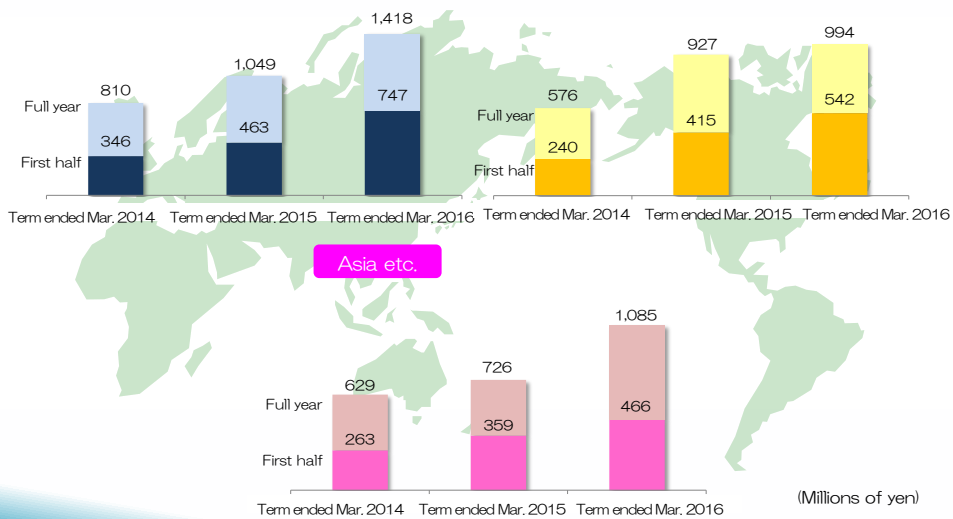
10

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Consolidated overseas sales

Europe

North America



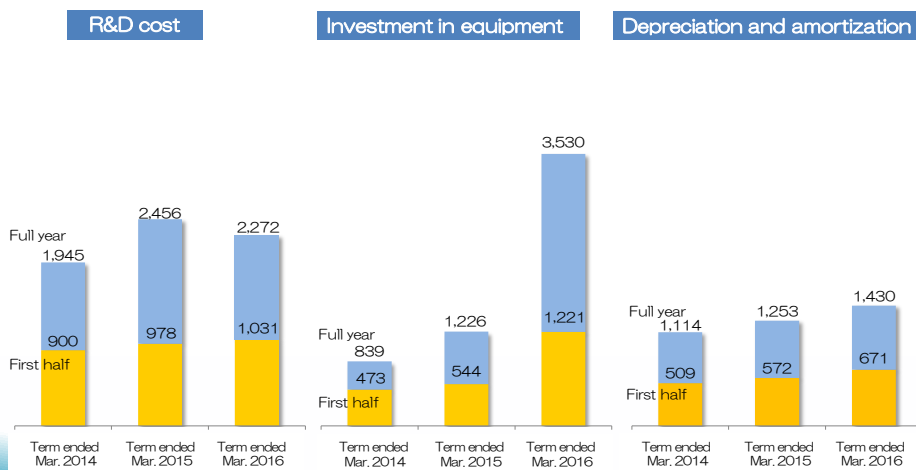
(Millions of yen)

11

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R&D cost and investment in equipment (consolidated)

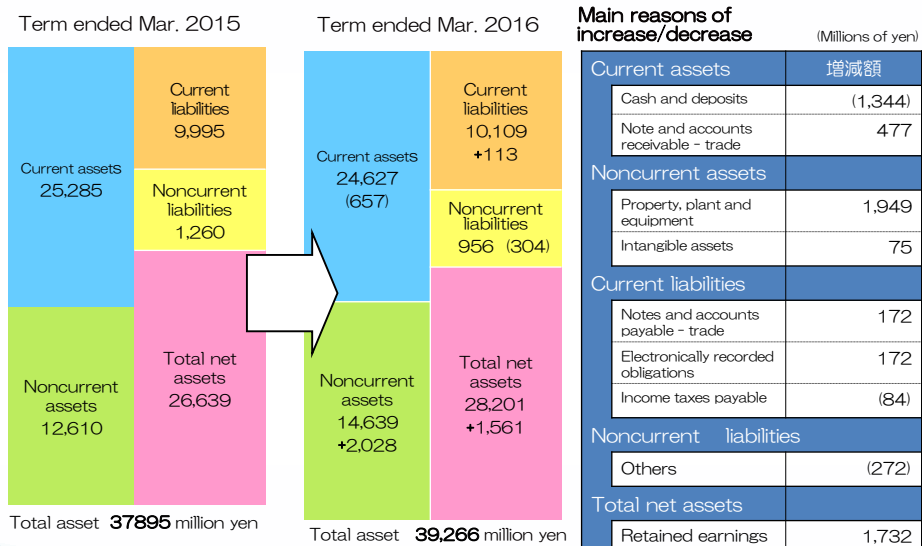
(Millions of yen)



12

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Consolidated balance sheets



13

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Consolidated Statements of Cash Flows

(Millions of yen)

	Term ended Mar. 2015	Term ended Mar. 2016
Cash and cash equivalents at beginning of the period	10,940	6,577
Net cash provided by (used in) operating activities	3,393	3,115
Net cash provided by (used in) investing activities	(6,652)	(3,737)
Net cash provided by (used in) financing activities	(1,107)	(869)
Effect of exchange rate changes on cash and cash equivalents	4	(11)
Cash and cash equivalents at end of the period	6,577	5,074

Main items in operating cash flows	Changes
Income before income taxes and minority interests	3,390
Depreciation and amortization	1,430
Loss on sales and retirement of property, plant and equipment	(224)
Decrease in notes and accounts receivable - trade	(481)
Increase in notes and accounts payable - trade	345
Income taxes paid	(932)

Main items in investing cash flows	Changes
Purchase of property, plant and equipment	(3,097)

Main items in financing cash flows	Changes
Cash dividends paid	(694)

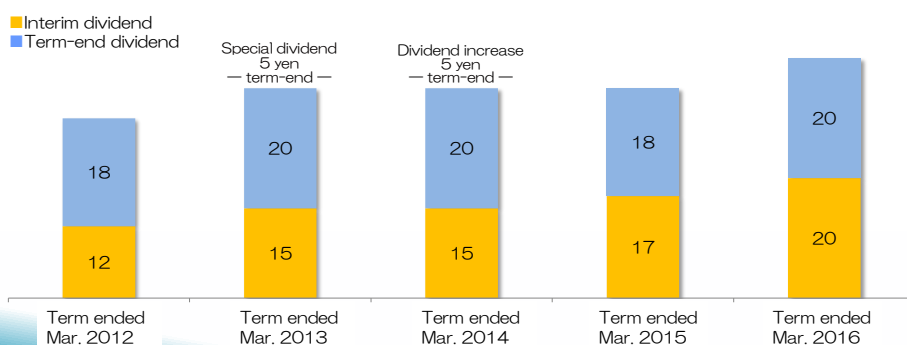
14

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Return to shareholders - dividend -

annual dividend per share : 40 yen per share

Consolidated total dividends : 731 Millions of yen
Dividend payout ratio: 30.1%



15

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Medium-Term Management Plan

Term ended Mar. 2017 ~ Term ended Mar. 2019

Medium-Term Management Plan

Term ended Mar. 2017 ~ Term ended Mar. 2019

【Management targets】

While accelerating our efforts to transform EIKEN into a global corporation, we aim to contribute to the world through health care services, as well as to achieve sustainable growth and stable improvement of profitability.

Performance targets

	Term ended Mar. 2017	Term ended Mar. 2018	Term ended Mar. 2019
Net sales	33,830	35,840	37,880
Overseas sales	4,760	6,520	8,120
Overseas sales to net sales(%)	14.1	18.2	21.4
Operating income	2,710	3,600	4,700
Operating income to net sales(%)	8.0	10.0	12.4
ROE (%)	6.4	8.4	10.4

Growth strategy

- Increase the market share of our in-house products in Japan.
- Acceleration of global business expansion.

Investment in next growth

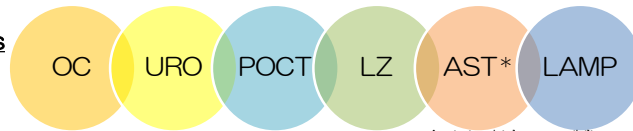
- Strengthening of our R&D capabilities.
- Establishing of an infrastructure to increase operating efficiency.

Increase the market share of our in-house products in Japan

Fundamental policy

Achieve steady growth by expanding our in-house product group lineup.

Strategic items



*Antimicrobial susceptibility tests

Key initiatives

- 【OC】 Educational activities for colon cancer screening rate up and to market OTC reagents.
- 【URO】 Cooperation with the urinary sediment manufacturer, and introducing of competitiveness urine analyzer.
- 【POCT】 Acquire new adoption by “Immuno catch series” .
- 【LZ】 Promotion of the evaluation of the health levels of the stomach (ABC classification), and focused on the sale of related reagents.
- 【AST】 Promoting sales of Antimicrobial susceptibility tests reagents, and expand new adoption by sales of “combination MALDI biotyper MF” and “DPS192iX” .
- 【LAMP】 Expand sales LAMP reagents — tuberculosis, mycoplasma, whooping cough — by promotion of hospital inspection.
The launch of a respiratory infection-chip device. - Term ended March 31, 2019 4Q -

18

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Acceleration of global business expansion.

Fundamental policy

Construction of a business portfolio that can be medium to long term stable growth.

Global business expansion of Strategic items



Key initiatives

- 【OC】 Acquire a national colon cancer screening test and cultivate new markets in emerging countries.
(National colon cancer screening test)England, Australia, etc.
(New markets in emerging countries) ASEAN, India, Mideast, South America
- 【URO】 Cooperation with Sysmex in the urine qualitative screening.
- 【LZ】 Pursue global deployment of LZ test for the evaluation of the health levels of the stomach (ABC classification).
- 【LAMP】 Advance towards global deployment of TB-LAMP, Malaria and other reagents.

19

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Strengthening of our R&D capabilities

Fundamental policy

- Promote development of new products by creating and introducing new technology.
- Improve our products by refining the existing technologies, and expand our product lineup.

Key initiatives

- Promote the next-generation small-sized automatic genetic screening device and multi-item screening chip.
【Adaptation Field】 infectious diseases, cancer, companion diagnostics, etc.
- Search for new biomarkers and new technologies by advancing research in cooperation with industrial, governmental, and academic parties
- Improve LZ reagents and POCT products, and expand their lineup.

20

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Establishing of an infrastructure to increase operating efficiency

Fundamental policy

- Increase production capacity and reduce production costs.
- Improve management efficiency by company-wide optimization.



New manufacturing building rendering
~Nogi plant~

Key initiatives

- Nogi plant
Operation of new manufacturing building to achieve the increased production and significant manufacturing cost reduction of urine test reagent (Uro paper and Uro paper α).
- Nasu plant
Establishment of production systems towards global expansion of OC and LZ.
- Improve operating efficiency by reviewing the corporate-wide IT system.

22

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Return to shareholders

Return to shareholders policy

- The return of profits to our shareholders is one of Eiken Chemical's highest priorities, and thus we make it a policy to maintain a stable dividend while taking into consideration profit distribution in accordance with business performance and strengthening of the Company's financial standing, as well as the enhancement of earning retention necessary for a proactive business expansion.

Return to shareholders consolidated dividend payout ratio of 30% or more.

23

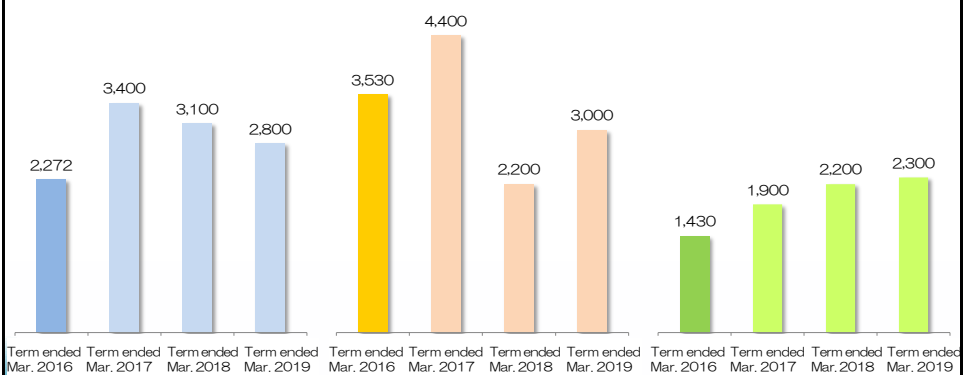
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R&D cost and investment in equipment Plan

R&D cost

Investment in equipment

Depreciation and amortization



24

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Consolidated earnings forecast for the term ending Mar. 2017

25

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Consolidated earnings forecast for the term ending Mar. 2017

Target value (Millions of yen)

	Consolidated		
	Amount	Ratio [%]	YoY change [%]
Net sales	33,830	100.0%	105.2%
Operating income	2,710	8.0%	76.6% ^{※2}
Ordinary income	2,710	8.0%	75.9% ^{※2}
Net income ^{※1}	1,820	5.4%	74.9% ^{※2}

^{※1} Net income attributable to shareholders of parent company.

^{※2} Decrease profit by temporary increase in costs resulting from investments focused on research and development activities.

Dividend (yen)

	Interim dividend	Term-end dividend	Annual	Consolidated dividend payout ratio
	20	20	40	40.2%

26

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We will continue to contribute to the Health of people
as a general manufacturer of clinical diagnostics.