

The business performance briefing for the first second quarter of fiscal year ending Mar. 31 2017

October 26, 2016

 **EIKEN CHEMICAL CO.,LTD.**

Topics

1. WHO recommends TB-LAMP. - August 2016
2. Distribution agreement with HUMAN for TB and malaria molecular diagnosis system by using LAMP.
3. US Preventive Services Task Force (USPSTF) published the RECOMMENDATION STATEMENT for screening for colorectal cancer. - June 2016
4. Completion of new manufacturing building for Urinalysis test strips.
- Oct. 2016
- Start of manufacturing from Sep. 2017 -
5. Increase renovation start of Nasu plant to increase production of OC and LZ. - Start of manufacturing from April. 2017 -

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Consolidated Performance for the First Second Quarter of the Fiscal Year Ending March 31, 2017

(Millions of yen)

	First second quarter ending Mar. 31 2017					
	Target value	Results	Ratio	Difference from target value	YoY change	YOY ratio (Previous period= 100%)
Net sales	16,810	16,804	100.0%	(5)	506	103.1%
Operating income	1,920	2,325	13.8%	405	366	118.7%
Ordinary income	1,920	2,343	13.9%	423	358	118.1%
Net income*	1,410	1,715	10.2%	305	452	135.8%

* Net income attributable to shareholders of parent company.

[Sales] Up 3.1% year-on-year.

Overseas sales increased compared to the previous fiscal year, as well as domestic sales of fecal immunochemical test reagents and quick test reagents (immunocatch series) in Japan.

[Operating income] Up 18.7% year-on-year.

By reduction of the production cost, to make efficient use of expenses, and research and development expenses shifted to the third quarter.

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Consolidated sales for product category

Product category	First second quarter of fiscal year ending March 31, 2017	
	Results	YOY ratio (Previous period= 100%)
Fecal immunochemical test reagents (OC)	4,533	100.3
Immunological and serological reagents (exclude OC)	5,020	98.9
Urinalysis test strips	1,237	109.2
Microbiological reagents	2,470	108.7
Clinical chemistry reagents	318	94.4
Culture media for equipment, food and environment category	1,130	98.6
Medical devices (exclude molecular genetics)	1,520	114.5
Molecular genetics (LAMP) (include devices)	573	118.5

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Fecal immunochemical test reagents (OC)

□ YOY : 100.3% (Previous period= 100%)

➤ Domestic sales : YoY 104.6%
(Previous period= 100%)

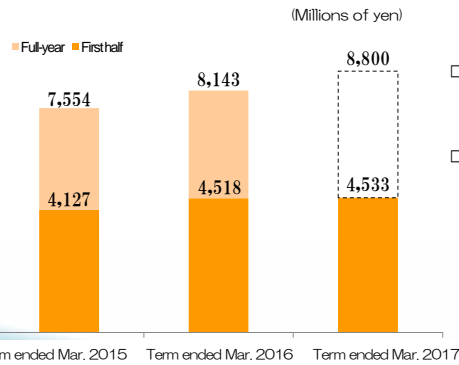
➤ Overseas sales : YoY 90.0%
(Previous period= 100%)

□ Promotion by the analyzer "OC sensor PLEDIA"

□ Educational activities for colon cancer screening
consultation rate up.

□ U.S.A.: Decline in sales by delay of the market
development.

□ Europe: Sales plan for France has not been reached.
England national colorectal cancer screening
start time has delayed..



□ US Preventive Services Task Force (USPSTF)
published the RECOMMENDATION STATEMENT for
screening for colorectal cancer in June 2016.
→Positive for business operations in U.S.A.

□ Continuance of the action on the adoption
of the national colon cancer in Europe.

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Immunological and serological reagents

□ YOY : 98.9% (Previous period= 100%)

➤ AIA reagents

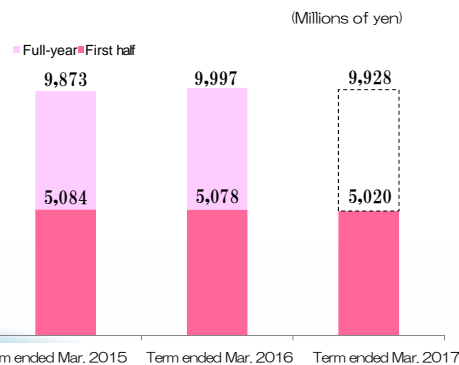
□ decrease by competition intensification

➤ LZ test

□ Increase sales of reagents for test of the
helicobacter-pylori antibody in the blood .

□ Promotion of ABC classification.

□ Promotion and adoption of KL-6.



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Urinalysis test strips

□ YOY: 109.2% (Previous period= 100%)

➤ Domestic sales

□ Increase sales "Uropaper α III" by increase in new adoption of the automatic urine analyzer "US-2200" and "US-3500".

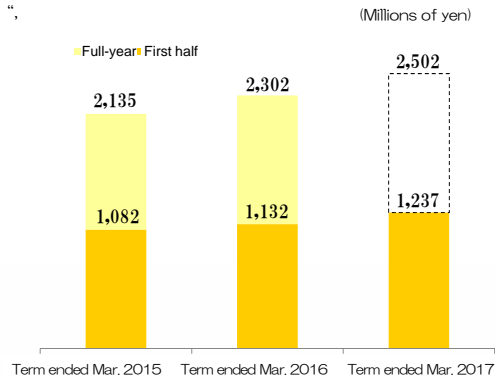
□ Released automatic urine analyzer "US-1200", successor model of "US-1000". -August-



US-1200

➤ Overseas sales

□ Start of provision of urinalysis test strips for Sysmex, and contribute to the sales.



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Microbiological reagents

◇ YoY: 108.7% (Previous period= 100%)

➤ Culture medium

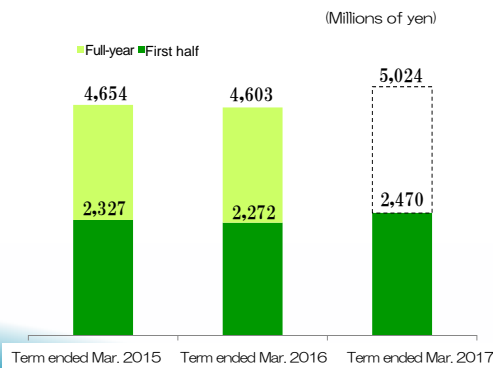
□ Decline in sales mainly in feces medium under the influence of genetic testing.

➤ Reagents for POCT

□ Focus promotion "immuno catch-Legionella" and "immuno catch -Pneumococcus"

➤ Reagent for Antibiotic sensitivity Test

□ Increase in dry plate sales due to acquiring new customers, etc. through total proposal combined with microorganism classification and identification analyzer (MALDI BIOTYPEER) at hospital market



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Molecular genetics(LAMP)

□ YoY : 118.5% (Previous period= 100%)

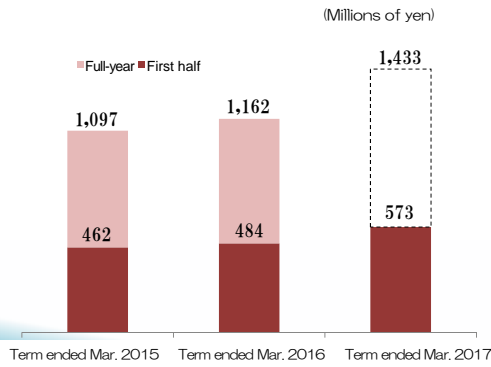
➤ Domestic sales

□ Increase sales of reagents for TB and *Mycoplasma*.

➤ Overseas sales

□ WHO recommends TB-LAMP. - August 2016

□ Distribution agreement with HUMAN for TB and malaria.



➤ Licensing fee

□ 243 million yen.

- YoY: 189 million yen.

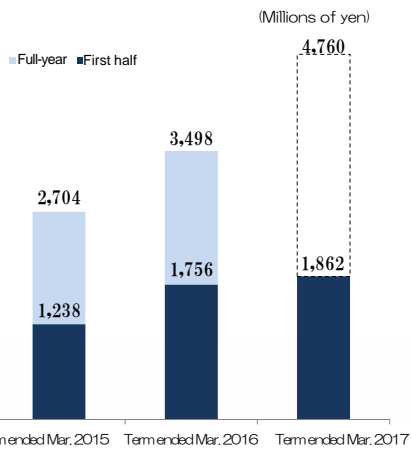
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Consolidated overseas sales

Sales

□ YoY : 106.0% (Previous period= 100%)



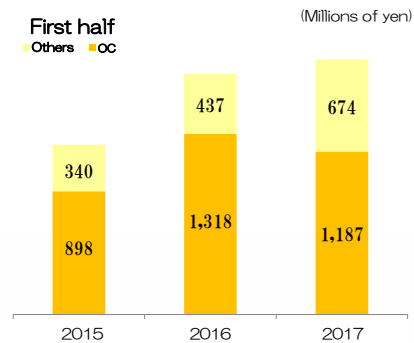
Sales for product category

●OC YoY: 90.0% (Previous period= 100%)

□ Decline in sales in U.S.A. and Europe.

●Others YoY: 154.4% (Previous period= 100%)

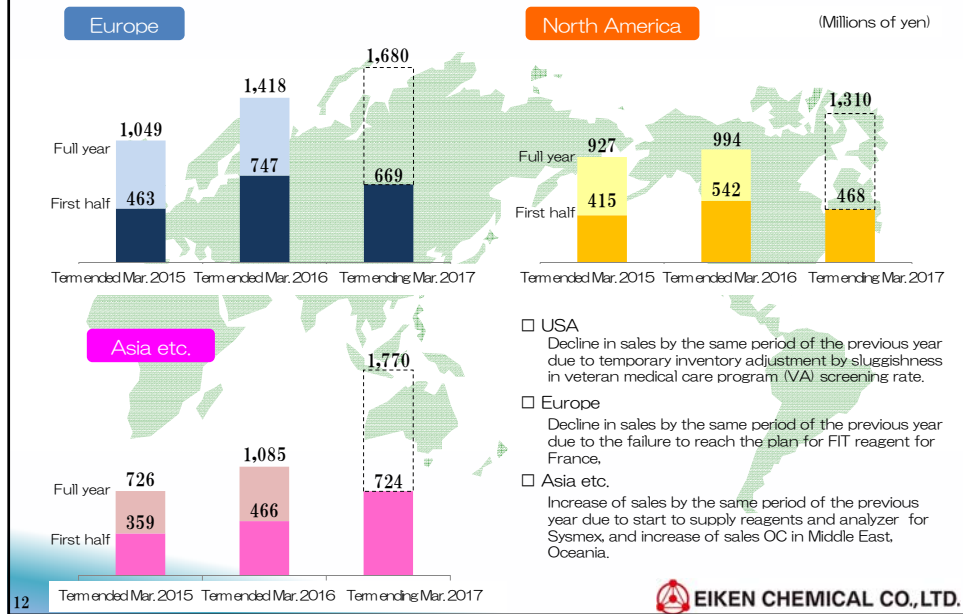
□ Urinalysis test strips and analyzer for Sysmex were contribute to sales.



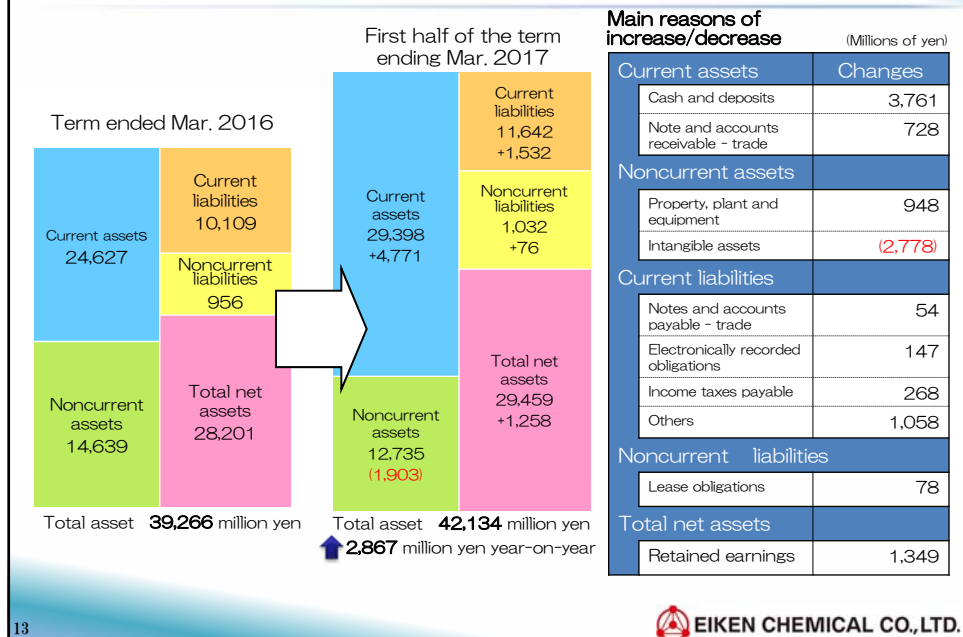
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Consolidated overseas sales

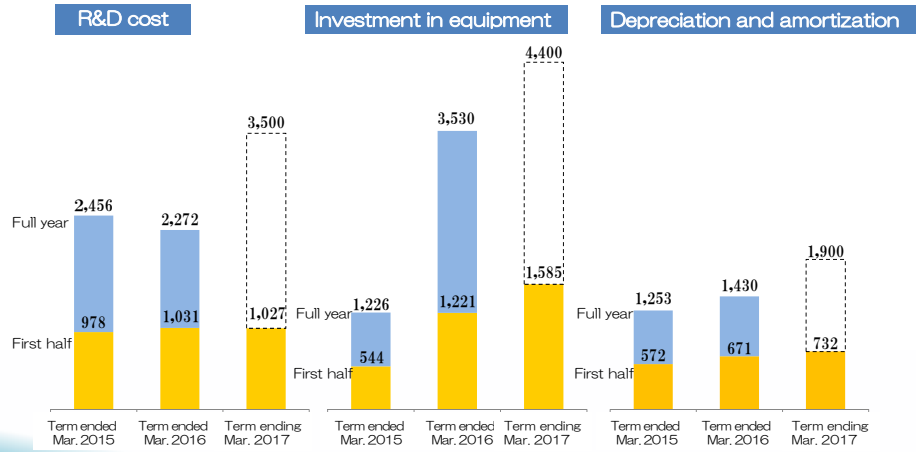


Consolidated balance sheets



R&D cost and investment in equipment (consolidated)

(Millions of yen)



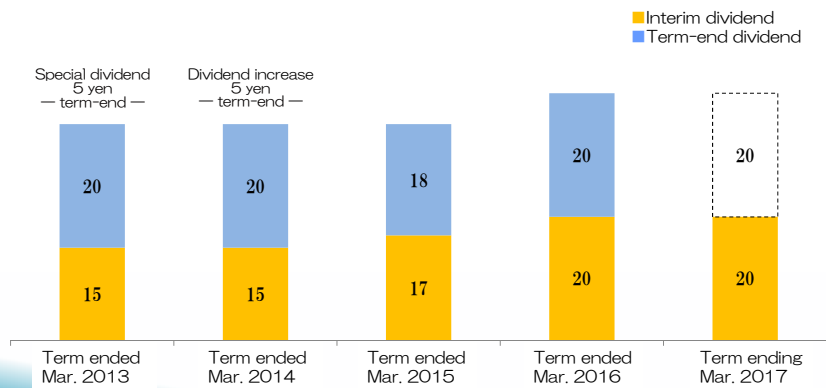
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Return to shareholders - dividend -

Interim dividend per share : 20 yen per share

Consolidated total interim dividends : 366 Millions of yen



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Consolidated earnings forecast for the term ending Mar. 2017

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Primary strategies for the 3Q and 4Q

SALES

(1) Fecal immunological test

- ✓ Expansion of market by domestic colorectal cancer screening promotion activity, acquisition of new adoption by promoting installation of "OC Sensor PLEDIA"
- ✓ Acquisition of new customers starting from the issuance of the USPSTF guideline. - promotion of switching from guaiac- based FOBT -
- ✓ Activities to increase participation rate of French national screening inspection.
- ✓ Acquisition of England national screening and Germany screening program.
- ✓ Development / deployment of agencies in Middle East, Asia/Oceania and screening test correspondence.

(2) Urinalysis test

- ✓ Domestic: Promoting of full automatic urine analyzer "US-3500" and automatic urine analyzer "US-1200".
- ✓ Overseas: Sales expansion of urinalysis test strips / analyzer for Sysmex.

(3) Immunological serological test

- ✓ Promote dissemination of stomach health check (ABC classification)
- ✓ Promoting the installation of fully automated chemiluminescent enzyme immunoassay device "AIA - CL 2400" and new model "AIA - CL 1200" introduced and sold by Tosoh.

(4) Molecular genetics(LAMP)

- ✓ Global development of TB-LAMP and malaria.

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Primary strategies for the 3Q and 4Q

R&D

- (1) Promote the next-generation small-sized automatic genetic screening device and multi-item screening chip - for infectious diseases-.
- (2) Prepare for application focus on OTC guidelines for fecal occult blood tests.
- (3) Search for new biomarkers and new technologies by advancing research by open innovation.

Base maintenance, others



- (1) Completion of new manufacturing building for Urinalysis test strips.
- Start of manufacturing from Sep. 2017 -
- (2) Increase renovation start of Nasu plant to increase production of OC and LZ. - Start of manufacturing from April. 2017 -
- (3) Development of a review and the IT Middle plan of the IT investment strategy.

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Consolidated earnings forecast for the term ending Mar. 2017

Target value	(Millions of yen)		
	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%

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



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