

The business performance briefing for the term ended Mar. 2017

Apr. 28, 2017

 **EIKEN CHEMICAL CO.,LTD.**

Topics 1

1. WHO recommended TB-LAMP. - August 2016.
Starting of sales of TB-LAMP to global.
2. US Preventive Services Task Force (USPSTF) published the new RECOMMENDATION STATEMENT for screening for colorectal cancer. - June 2016
3. Released automatic urine analyzer "US-1200 ". -August, 2016
4. Acquisition of the national colon cancer screening in Qatar.
-August, 2016
5. Fecal immunochemical tests(FIT) were covered by insurance in Germany.
Major inspection center adopt FIT reagents and equipment.
6. 'Colorectal Cancer Group Examination Promotion Project' in Thailand
adopted as JICA 's Private Technology Promotion Project.

2

 **EIKEN CHEMICAL CO.,LTD.**

Topics 2

7. Completion of new manufacturing building for Urinalysis test strips.
Start of manufacturing from Sep. 2017
8. Increase renovation start of Nasu plant to increase production of
OC and LZ. - Start of manufacturing from April, 2017 -

New manufacturing building for Urinalysis test strips.
DPP : Dried Product Plant



Nasu plant (OC/LZ)



4

 EIKEN CHEMICAL CO.,LTD.

Consolidated performance for the term ended Mar. 2017

(Millions of yen)

	Term ended Mar. 2017					
	Target value	Actual results	Ratio	Difference from target value	YoY change	Ratio
Net sales	33,830	33,274	100.0%	▲555	1,110	103.5%
Operating income	2,710	3,976	12.0%	1,266	440	112.4%
Ordinary income	2,710	4,112	12.4%	1,402	541	115.2%
Net income [※]	1,820	2,918	8.8%	1,098	489	120.1%

※ Net income attributable to shareholders of parent company

[Net sales]

• Down 555 million of yen compared to budget. Because of sluggish growth for overseas sales of fecal immunochemical test reagents .

• Up 3.5% year-on-year.

[Overseas] Sales of urinalysis reagents and equipment for Sysmex increased.

[Domestic] Sales of fecal immunochemical test reagents, quick test reagent (immunocatch series), urine test strips, genetic test (LAMP) reagent increased.

[Operating income] Up 12.4% year-on-year.

Due to the reduction of the production cost, to make efficient use of expenses, and the research and development costs, which we expected to be incurred in this consolidated fiscal year, were carried over to the next fiscal year.

6

 EIKEN CHEMICAL CO.,LTD.

Consolidated sales for product category

Product category	Term ended Mar. 2017	
	Results	YOY ratio (Previous period= 100%)
Fecal immunochemical test reagents (OC)	8,151	100.1
Immunological and serological reagents (exclude OC)	9,897	99.0
Urinalysis test strips	2,448	106.4
Microbiological reagents	5,064	110.0
Clinical chemistry reagents	611	95.1
Culture media for equipment, food and environment category	2,198	98.4
Molecular genetics(LAMP)	1,306	112.4
Medical devices (exclude molecular genetics)	3,595	116.8

7

 EIKEN CHEMICAL CO., LTD.

Fecal immunochemical test reagents (OC)

□ YOY : 100.1% (Previous period= 100%)

➤ Domestic sales : YoY 101.2%

➤ Overseas sales : YoY 97.7%

□ Promotion by the analyzer "OC sensor PLEDIA"

□ U.S.A: Focus on activities aimed at acquiring new customers.

□ Educational activities for colon cancer screening consultation rate up.

Decline in sales by delay of the market development.

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

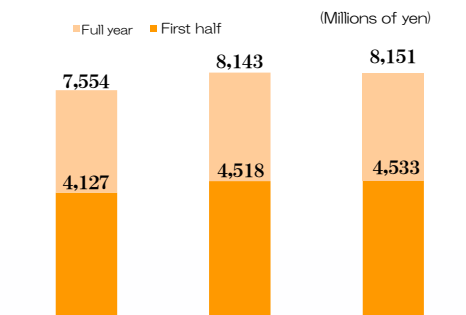
• Stagnant of consultation rate in French.

• England national colorectal cancer screening start time has delayed.

• Adopted by major clinical laboratories in Germany.

□ Middle East : Acquisition of national screening test of colorectal cancer in Qatar.

□ Asia/Oceania : Acquisition of screening test of colorectal cancer in Hanoi, Vietnam.



Term ended Mar. 2015 Term ended Mar. 2016 Term ended Mar. 2017

8

 EIKEN CHEMICAL CO., LTD.

Immunological and serological reagents

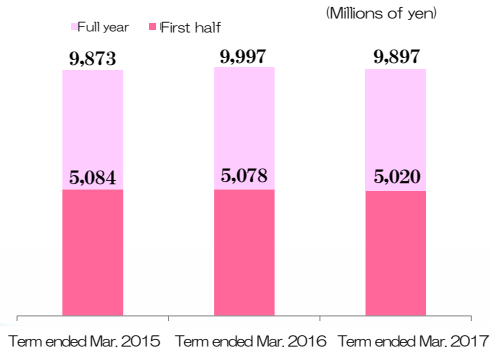
□ YOY : 99.0% (Previous period= 100%)

➤ AIA reagents

□ Decline in sales 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, reagent of interstitial pneumonia .



9

EIKEN CHEMICAL CO., LTD.

Urinalysis test strips

□ YOY: 106.4% (Previous period= 100%)

➤ Domestic sales

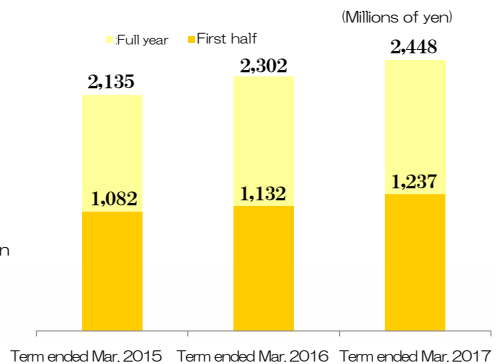
□ Released automatic urine analyzer "US-1200", successor model of "US-1000". -August, 2016-



US-1200

➤ Overseas sales

□ Urinalysis test strips for Sysmex contributed to the sales.



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

10

EIKEN CHEMICAL CO., LTD.

Microbiological reagents

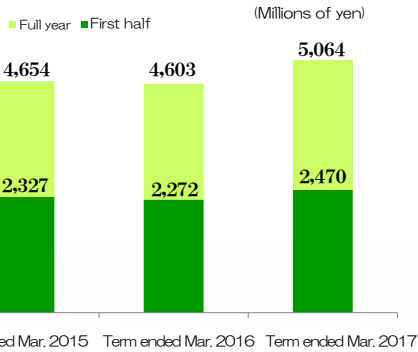
◇ YoY: 110.0% (Previous period= 100%)

➤ Quick test reagents

- Large increase of sales by promotion of "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.



➤ Culture medium

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

11

EIKEN CHEMICAL CO.,LTD.

Molecular genetics(LAMP)

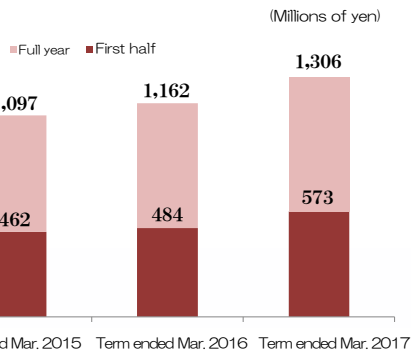
□ YoY : 112.4% (Previous period= 100%)

➤ Domestic sales

- Increase sales of reagents for TB and *Mycoplasma*.
- *Bordetella pertussis* detection kit was listed to National Health Insurance. -November, 2016-

➤ Overseas sales

- WHO recommends TB-LAMP. - August 2016 -
- Global distribution agreement with HUMAN for TB-LAMP and malaria except for some areas., and started sales.



➤ Licensing fee

- 472 million yen.
- YoY: 443 million yen.

12

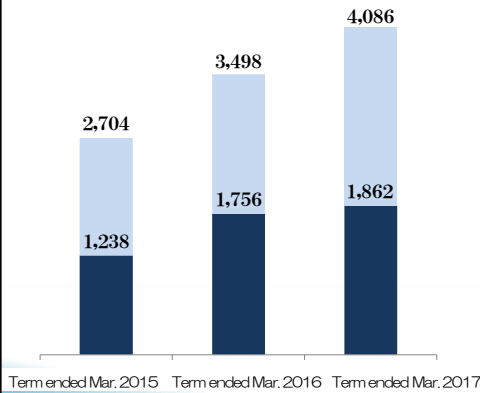
EIKEN CHEMICAL CO.,LTD.

Consolidated overseas sales

Sales

◇ YoY change : 116.8%

(Millions of yen)



Sales for product category

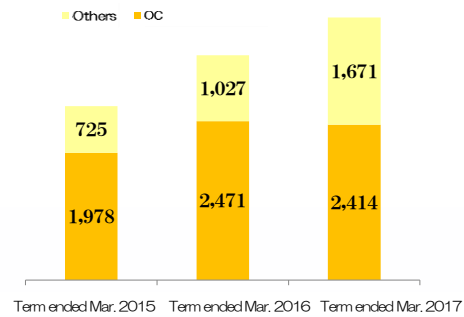
◇ OC YoY change : 97.7%

⇒Sales decline due to growth in the US and Europe

◇ Others YoY change : 162.7%

⇒Contribution from sales of urine test strips and equipment for Sysmex Inc.

(Millions of yen)



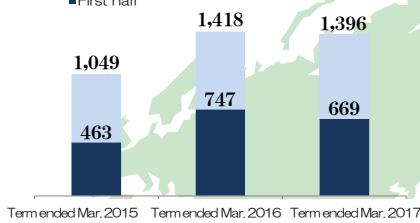
13

EIKEN CHEMICAL CO., LTD.

Consolidated overseas sales

Europe

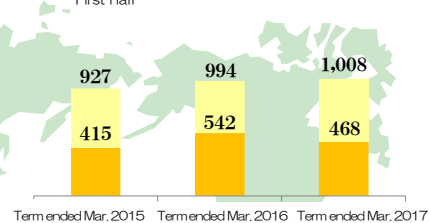
■ Full year
■ First half



North America

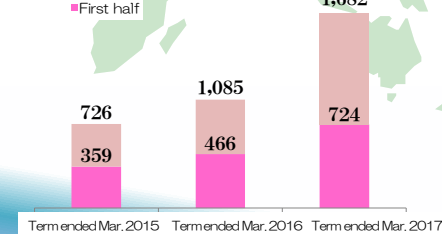
■ Full year
■ First half

(Millions of yen)



Asia etc.

■ Full year
■ First half



USA

Slight increase because of slackened growth in the examination rate in the Veterans Medical Assurance Program and prolongation of switching evaluation of the new OC Manual Kit.

Europe

Decline in sales year on year due to the failure to reach the plan for FIT reagent for France.

Asia etc.

Increase of sales year on year due to start to supply reagents and analyzer for Sysmex, and increase of sales OC in Middle East, Oceania.

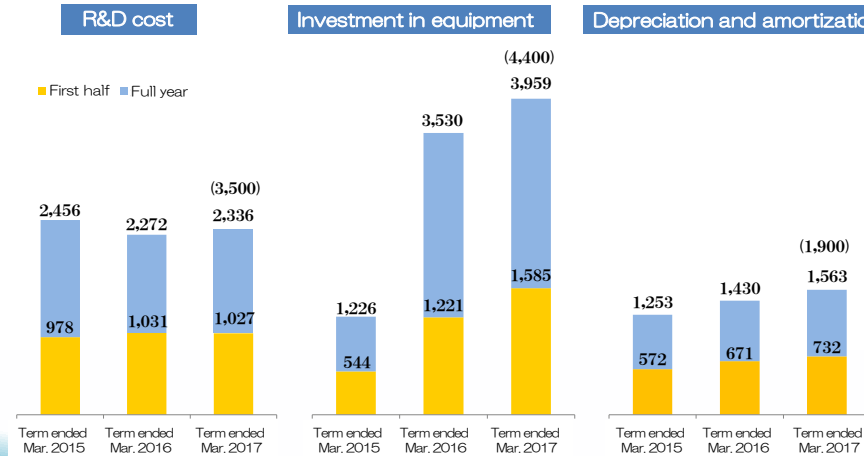
14

EIKEN CHEMICAL CO., LTD.

R&D cost and investment in equipment (consolidated)

() : forecast of beginning of term

(Millions of yen)



15

EIKEN CHEMICAL CO., LTD.

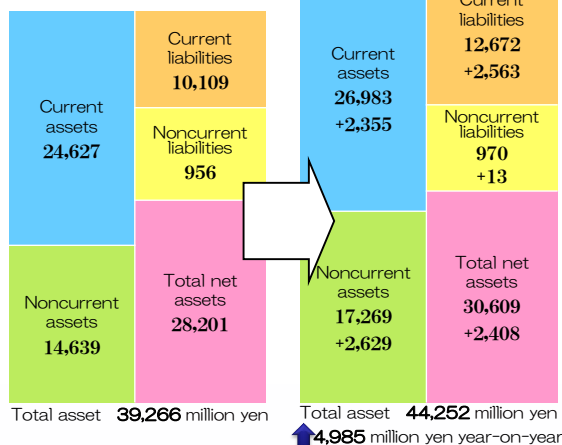
Consolidated balance sheets

Term ended Mar. 2016

Term ended Mar. 2017

Main reasons of increase/decrease

(Millions of yen)



Category	Change
Current assets	
Cash and deposits	1,793
Note and accounts receivable - trade	122
Merchandise and finished goods	180
Noncurrent assets	
Property, plant and equipment *1	2,621
Investments and other assets	145
Current liabilities	
Notes and accounts payable - trade	210
Electronically recorded obligations	177
Income taxes payable	211
Accounts payable - other*1	1,213
Other	749
Total net assets	
Retained earnings	2,186

*1 Increase in property, plant and equipment by ¥ 2,621 million and increase in accounts payable by ¥ 1,213 million: mainly due to the construction of a new manufacturing building at the Nori Plant and the renovation and renovation of the Nasu Second Plant

16

EIKEN CHEMICAL CO., LTD.

Consolidated Statements of Cash Flows

(Millions of yen)

	Term ended Mar. 2016	Term ended Mar. 2017
Cash and cash equivalents at beginning of the period	6,577	5,074
Net cash provided by (used in) operating activities	3,115	4,701
Net cash provided by (used in) investing activities	▲3,737	▲1,876
Net cash provided by (used in) financing activities	▲869	▲910
Effect of exchange rate changes on cash and cash equivalents	▲11	▲4
Cash and cash equivalents at end of the period	5,074	6,984

Main items in operating cash flows		Changes	
Income before income taxes and minority interests	3,845		
Depreciation and amortization	1,563		
Decrease in notes and accounts receivable - trade	▲125	↑	
Increase in notes and accounts payable - trade	388	↑	
Decrease in inventories	▲262	↑	
Income taxes paid	▲769		

Main items in investing cash flows		Changes	
Purchase of property, plant and equipment			▲1,898

Main items in financing cash flows		Changes	
Cash dividends paid			▲732

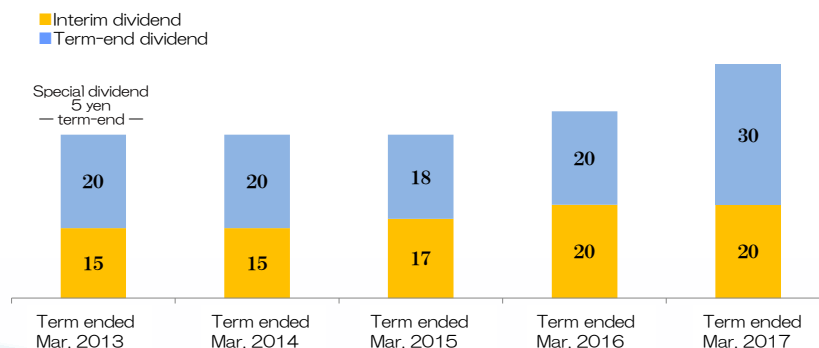
17

EIKEN CHEMICAL CO., LTD.

Return to shareholders - dividend -

annual dividend per share : 50 yen per share

Consolidated total dividends : 915 Millions of yen
Dividend payout ratio: 31.4%



18

EIKEN CHEMICAL CO., LTD.

Consolidated earnings forecast for the term ending Mar. 2018

25

 EIKEN CHEMICAL CO., LTD.

Primary strategies for the term ending Mar. 2018

SALES

- (1) Fecal immunological test
 - ✓ Expansion of market by domestic colorectal cancer screening promotion activity
 - ✓ Acquisition of new customers starting from the issuance of the USPSTF guideline.
 - promotion of switching from guaiac- based FOBT -
 - ✓ Acquisition of national screening colorectal cancer in England and Australia.
 - ✓ Acquisition of new markets : Middle East, India, Russia, Souse America.
- (2) Urinalysis test
 - ✓ Domestic : New customer acquisition of full automatic urine analyzer "US-3500" by cooperation with the urine sedimentation , and promotion of the 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.

20

 EIKEN CHEMICAL CO., LTD.

Primary strategies for the term ending Mar. 2018

R&D

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

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.
- (3) Development of a review and the IT Middle plan of the IT investment strategy.

21

 EIKEN CHEMICAL CO.,LTD.

LAMP Compact Fully Automated System

- Simprova

Quick and easy test system

Further high sensitivity /
high specificity, easy and
quick, multi-item
simultaneous inspection

1st Generation

2nd Generation

3rd Generation

【Pretreatment technology】 PURE method

【Liquid reagent】
Manual operation



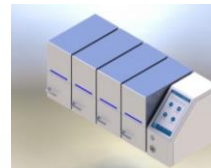
SARS, Noro virus,
Flu H5, Legionella,
Mycoplasma etc.

【Dried reagent】
Manual operation



TB, Malaria,
Flu A, H1 pdm2009,
Mycoplasma, Pertussis
etc.

【Chip reagent】
full automatic



Simprova

22

 EIKEN CHEMICAL CO.,LTD.

LAMP Compact Fully Automated System - Simprova

Sample-to-Answer

Near the Patient

*Fast detection
(Target : 30min)*

Compact

*4 units
(Random access)*



23

 EIKEN CHEMICAL CO., LTD.

LAMP Compact Fully Automated System - Simprova

*Nucleic acid Extraction
by Magnetic beads based method*



Pretreatment Pack

Multi-item simultaneous inspection



Test chip



Test unit Master unit

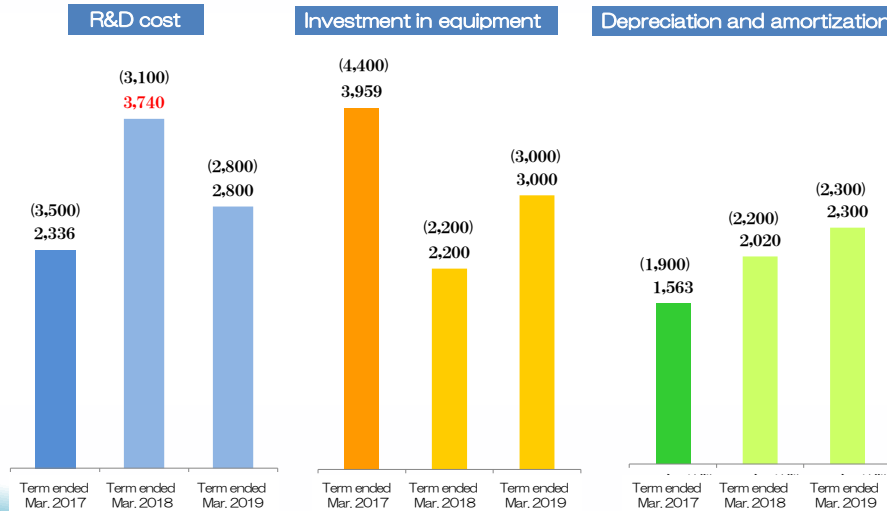
24

 EIKEN CHEMICAL CO., LTD.

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

() : forecast of beginning of Medium-term management plan

(Millions of yen)



25

EIKEN CHEMICAL CO., LTD.

Consolidated earnings forecast for the term ending Mar. 2018

Target value

(Millions of yen)

	Consolidated		
	Amount	Ratio [%]	YoY change [%]
Net sales	35,840	100.0%	107.7%
Operating income	3,070	8.6%	77.2%*2
Ordinary income	3,070	8.6%	74.7%*2
Net income ※1	2,180	6.1%	74.7%*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
	25	25	50	42.0%

26

EIKEN CHEMICAL CO., LTD.

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 ending Mar. 2018		Term ending Mar. 2019
	Originally forecast	Actual results	Originally forecast	Target value	
Net sales	33,830	33,274	35,840	35,840	37,880
Overseas sales	4,760	4,086	6,520	6,520	8,120
Overseas sales to net sales(%)	14.1	12.3	18.2	18.2	21.4
Operating income	2,710	3,976	3,600	3,070	4,700
Operating income to net sales(%)	8.0	12.0	10.0	8.6	12.4
ROE (%)	6.4	10.0	8.4	7.0	10.4

We changed Operating income forecasts in Term ending Mar. 2018 because of the research and development costs, which we expected to be incurred in Term ended Mar. 2017, were carried over to Term ending Mar. 2018.

27

 EIKEN CHEMICAL CO., LTD.



EIKEN CHEMICAL CO., LTD.

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

Forward-Looking Statements

This material contains forward-looking statements about EIKEN CHEMICAL CO., LTD. (EIKEN). These forward-looking statements are based on the current judgments and assumptions of EIKEN in light of the information currently available to it.

Uncertainties inherent in such judgments and assumptions, the future course of our business operations and changes in operating environments both in Japan and overseas may cause our actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements or financial position either expressed or implied within these forward-looking statements.

 EIKEN CHEMICAL CO., LTD.