

The business performance briefing for the First Six Months of Fiscal Year Ending March 31, 2018

October 25, 2017



Topics

1. Acquisition of Australian Colorectal Cancer National Screening.
2. Changes in the Recommendation for physicians and patients from the US Multi-Society Task Force (MSTF) on Colorectal Cancer.
" not Recommend the gFOBT." (July 2017)
3. Establishment of production system for OC and LZ at Nasu plant.
(April 2017)
4. Start production line of urinalysis test strips in new manufacturing building at Nogi Plant. (September 2017)
5. Purchase reservation of adjoining land of Nogi Plant. -about 51,000m² -
(September 2017)



Financial Highlights for the First Six Months of the Fiscal Year Ending March 31, 2018

(Millions of yen)

	First Six Months of fiscal year ending March 31, 2018					
	Target value ※	Results	Ratio	Difference from target value	YoY change	YOY ratio (Previous period=100%)
Net sales	18,000	17,462	100.0%	▲537	658	103.9%
Operating income	1,400	2,215	12.7%	815	▲109	95.3%
Ordinary income	1,400	2,255	12.9%	855	▲88	96.2%
Net income ※	1,000	1,633	9.4%	633	▲81	95.3%

※1 beginning-of-year budget ※2 Net income attributable to shareholders of parent company.

【Net sales】 Up 3.9% year-on-year.

• Mainly due to sluggishness of overseas fecal occult blood test reagents and LAMP reagents.

(Domestic) Sales of rapid inspection reagents (Immuno catch series) increased.

(Overseas) Sales of fecal immunochemical test reagents increased in the US and Europe.

Sales of urinalysis reagents and equipment for Sysmex increased.

【Operating income】 Down 4.7% year-on-year.

Although the R&D expenses of the compact fully automated genetic testing device planned for the second quarter were offset in the fourth quarter, in addition to the rise in the cost of sales ratio due to the rise in the manufacturing cost ratio and the change in the composition of product sales, and increase in selling, general and administrative expenses mainly for research and research expenses.

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Consolidated sales for product category

Product category	First Six Months of fiscal year ending March 31, 2018	
	Results	YOY ratio (Previous period=100%)
Fecal immunochemical test reagents (OC)	4,716	104.0
Immunological and serological reagents (exclude OC)	5,084	101.3
Urinalysis test strips	1,372	111.0
Microbiological reagents	2,538	102.8
Clinical chemistry reagents	308	96.9
Culture media for equipment, food and environment category	1,113	98.5
Medical devices (exclude molecular genetics)	546	95.2
Molecular genetics(LAMP) (include devices)	1,782	117.2

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Fecal immunochemical test reagents (OC)

◇ YOY : 104.0% (Previous period= 100%)

➤ Domestic sales : YoY 100.9%

□ Promotion by the analyzer "OC sensor PLEDIA"

□ Educational activities for colon cancer screening consultation rate up.

➤ Overseas sales : YoY 112.8%

□ US

· Increase sales to private medical insurance (HMO etc.).

· Strengthen promotion for Veterans Medical Assurance Program (VA).

· Continuation of new customer acquisition activities received new guidelines on colorectal cancer screening (USPSTF, June 2016).

□ Europe

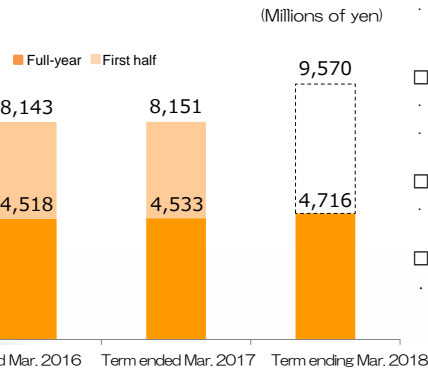
· Increase sales to major German clinical laboratories.
· Develop policies to improve the examination rate in France.

□ Middle East

· Continuing activities toward national screening in each country.

□ Asia, Oceania

· Acquisition of Australian Colorectal Cancer National Screening.



Term ended Mar. 2016 Term ended Mar. 2017 Term ending Mar. 2018

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Immunological and serological reagents

◇ YOY : 101.3% (Previous period= 100%)

➤ AIA reagents

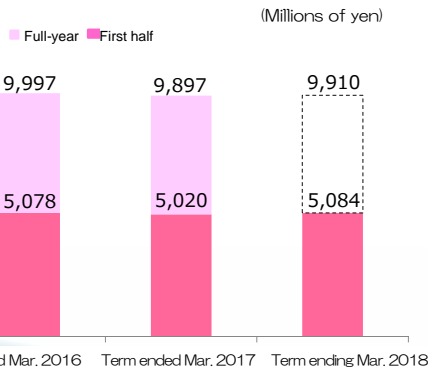
□ Promoting the installation of AIA-CL series introduced from Tosoh Corporation.

□ Slight increase sales by fiercer competition.

➤ LZ test

□ Promotion of the spread of stomach health evaluation (ABC classification), slight increase of LZ reagent.

□ Promotion of reagent for Helicobacter pylori antibody test.



Term ended Mar. 2016 Term ended Mar. 2017 Term ending Mar. 2018

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Urinalysis test strips

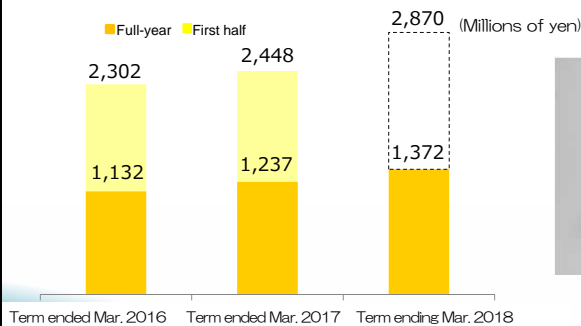
◇ YOY : 111.0% (Previous period= 100%)

➤ Domestic sales :

- Sales of Uropaper α increased due to the promotion of new introduction and switching of fully automatic urine analyzer "US-3500".
- Promotion of urine automatic analyzer "US-1200" released in August 2016.

➤ Overseas sales

- Urinalysis test strips for Sysmex contributed to the sales.



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Microbiological reagents

◇ YoY: 102.8% (Previous period= 100%)

➤ Quick test reagents

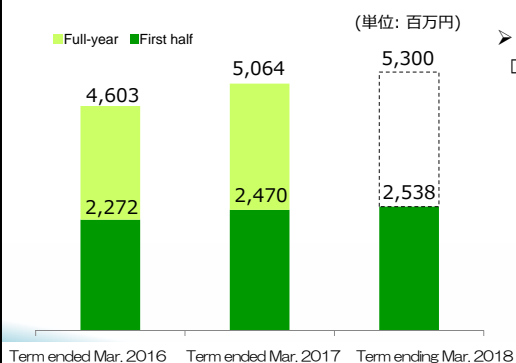
- Increase sales due to promotion with "Immuno catch - Legionella" and "Immuno catch - pneumococcus" set.

➤ Antibiotic sensitivity test reagents

- 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.



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Molecular genetics(LAMP)

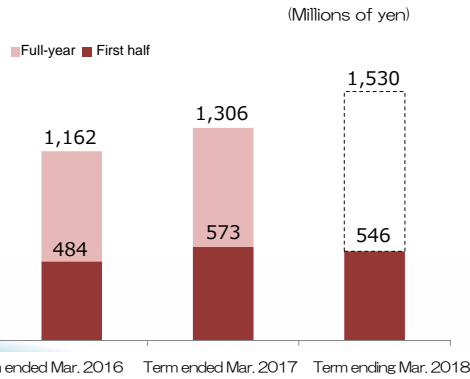
◇ YoY: 95.2% (Previous period= 100%)

➤ Domestic sales

□ Decrease due to a decrease in sales of mycoplasma detection reagents, etc.

➤ Overseas sales

□ TB-LAMP, Promote Field Study mainly in Africa and Asia toward global development of malaria



➤ Licensing fee

□ 244 million yen.
YoY: 243 million yen.



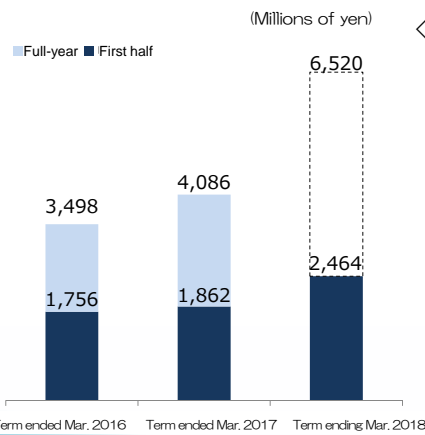
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Consolidated overseas sales

Sales

□ YoY: 132.3% (Previous period= 100%)



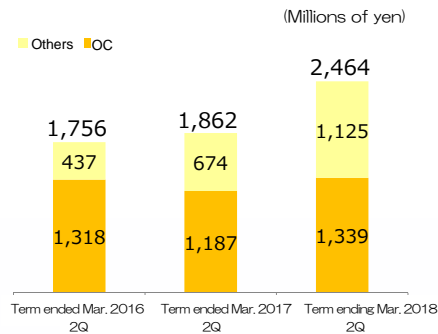
Sales for product category

◇ OC YoY: 112.8%

⇒ Increase sales in the US and Europe. Expand deployment areas in the Middle East etc.

◇ Other (including equipment) YoY: 166.8%

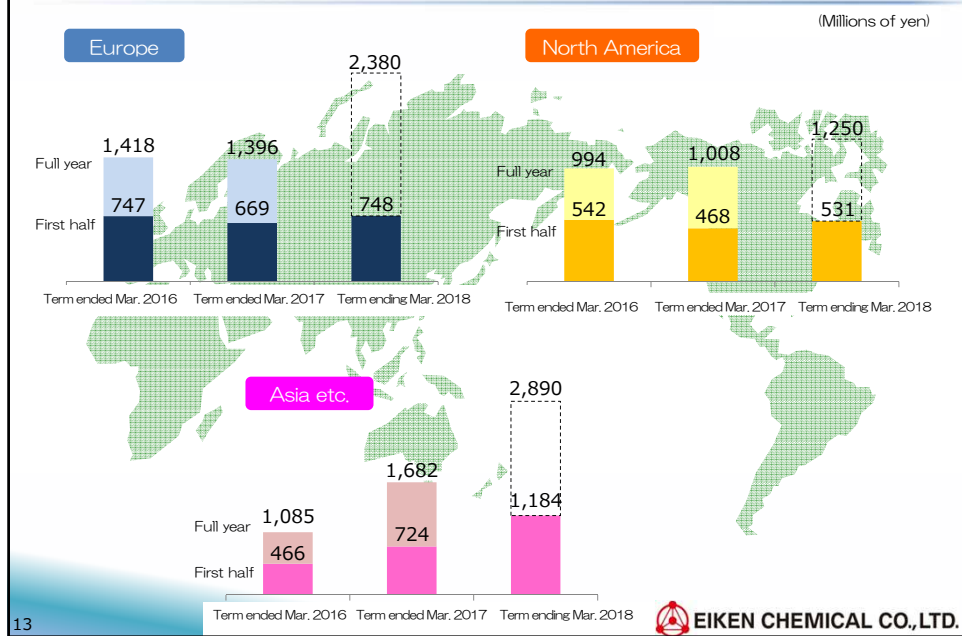
⇒ Increase sales due to contribute of sales of urine test strips / analyzers for Sysmex.



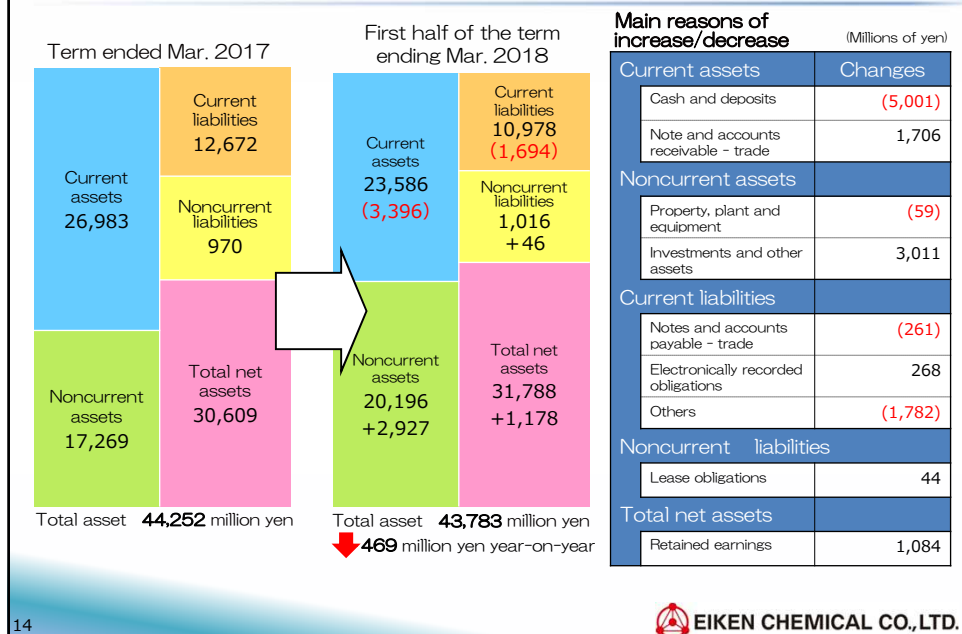
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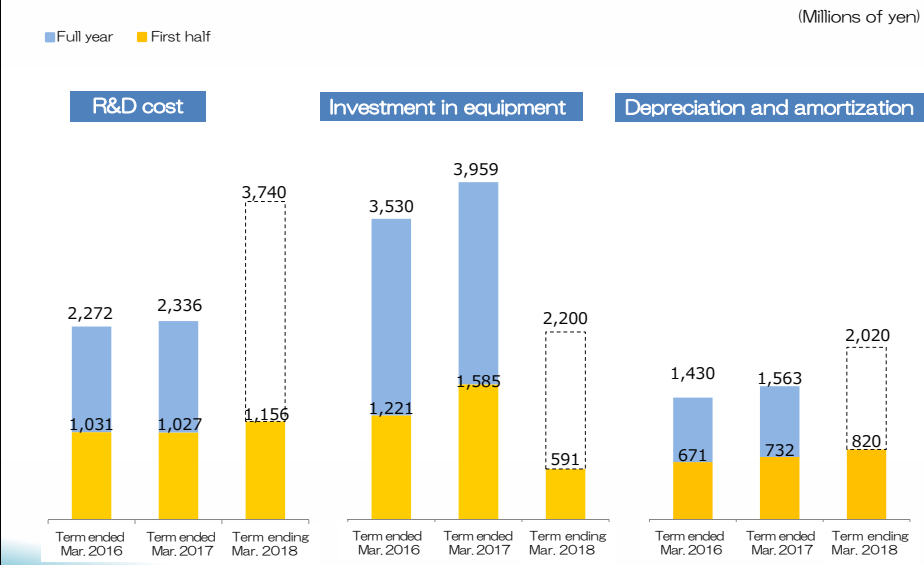
Consolidated overseas sales



Consolidated balance sheets



R&D cost and investment in equipment (consolidated)



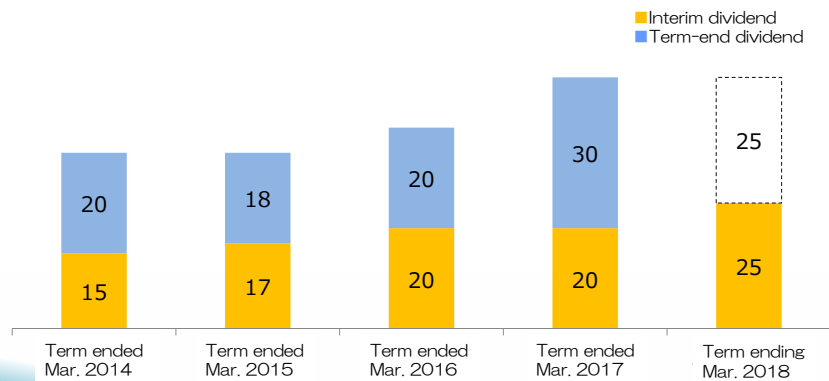
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Return to shareholders - dividend -

Interim dividend per share : 25 yen per share

Consolidated total interim dividends : 457 Millions of yen



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Consolidated earnings forecast for the term ending Mar. 2018

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Primary strategies for the 3Q and 4Q

SALES

- (1) Fecal immunological test
 - OC product launch 30th anniversary :
 - The cumulative sales volume of Sampling bottles = about 1.2 billion.
 - Sampling bottle sales in the fiscal year ended March 2017 = about 90 million.
 - ✓ Expansion of market by domestic colorectal cancer screening promotion activity.
 - ✓ U.S.A : Acquisition of new customers starting from the issuance of the USPSTF guideline.
 - promotion of switching from guaiac- based FOBT -
 - ✓ EUROPE : Strengthen sales measures to expand market share in Germany, awareness raising activities to improve French examination rate
 - Acquisition of national screening colorectal cancer in England.
 - ✓ 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)
 - ✓ Promote Field Study focusing on Africa and Asia for global sales of products for TB-LAMP, malaria.

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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 for launch in the fiscal year ending March 2019.
- (2) Prepare for an application focus on OTC guidelines for fecal occult blood tests.
- (3) Examination for Expansion of Immunochromato Product Lineup
- (4) Search for new biomarkers and new technologies.
 - cancer, cardiovascular disease etc. -

Base maintenance, others

- (1) Development of a review and the IT Middle plan of the IT investment strategy.
- (2) Work-style reforms, improvement of personnel affairs system.

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Consolidated earnings forecast for the term ending Mar. 2018

Target value (Millions of yen)

	Consolidated		
	Amount	Ratio [%]	YOY ratio Previous period: 100%
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%

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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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