

Business Results for the Fiscal Year Ended March 31, 2018

May. 1st, 2018

 EIKEN CHEMICAL CO.,LTD.

Topics

1. Determined to provide our reagents for Australia's National Bowel Cancer Screening Program. (Screening started in January 2018)
2. Changes in recommendation of colorectal cancer screening by Multi-Society Task Force (MSTF) (clarification of "not recommending use of guaiac-based fecal occult blood test", July 2017)
3. TB-LAMP
 - Listed in the catalog of Stop TB Partnership GDF(Global Drug Facility ※).
 - Decided to adopt TB-LAMP in Cameroon • Got Global Fund budget.
4. LAMP Compact Fully Automated System – Simprova
Device development is almost completed.
5. Establishment of production system for OC and LZ reagents at Nasu Plant. – April 2017.
6. Started production of Urinalysis test strips at new manufacturing building in Nogi Plant.
– September 2017
7. Reserve purchase of adjacent land (about 51,000m²) of Nogi Plant.
8. Stock split at ratio of two shares for every one share common stock with March 31, 2018 as the base date.

Consolidated financial highlights for the fiscal year ending March 31, 2018

(Millions of yen)

	Fiscal year ended March 31, 2018					
	Target value	Actual results	Ratio	Difference from target value	YoY change	Ratio
Net sales	35,840	34,991	100.0%	(848)	1,716	105.2%
Operating income	3,070	3,478	9.9%	408	(497)	87.5%
Ordinary income	3,070	3,549	10.1%	479	(562)	86.3%
Net income*	2,180	2,608	7.5%	428	(309)	89.4%

* Net income attributable to shareholders of parent company.

【Net sales】

- 848 million yen not reached target, due to sluggish sales of overseas fecal immunochemical test reagents and LAMP reagents
- Increase 5.2% year-on-year.

[Domestic] Increase in sales of Mainly fecal immunochemical test reagents.

[Overseas] Increase in sales significantly of fecal immunochemical test reagents and urinalysis reagent/ equipment for Sysmex.

【Operating income】

Decrease 12.5% year-on-year.

Due to posted 700 million yen as R&D costs of development of the device LAMP Compact Fully Automated System, and efficient use of expenses.

5

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Consolidated sales for product category

Product category	Fiscal year ending Mar. 31, 2018	
	Results	YOY ratio (Previous period: 100%)
Fecal immunochemical test reagents (OC)	9,085	111.5
Immunological and serological reagents (exclude OC)	10,027	101.3
Urinalysis test strips	2,905	118.6
Microbiological reagents	5,096	100.6
Clinical chemistry reagents	608	99.4
Culture media for equipment, food and environment category	2,182	99.3
Molecular genetics(LAMP)	1,192	91.3
Medical devices (exclude molecular genetics)	3,894	108.4

6

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Fecal immunochemical test reagents (OC)

■ 30th anniversary of OC product launch:

Cumulative number of sales of Sampling bottles = about 1.3 billion (adopted by 47 countries in the world)
 Number of sales of Sampling bottles in this term = about 100 million

◇ YOY: 111.5% (Previous period= 100%)

➤ Domestic sales : YOY 102.1%

□ Promotion by the analyzer "OC sensor PLEDIA"

□ Educational activities for colon cancer screening consultation rate up.

➤ Overseas sales : YOY 133.7%

□ US

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

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

· Promotion of switching from chemical method to FIT by USPSTF guideline and Multi-Society Task Force (MSTF) recommendation.

□ Europe

· Increase sales to major German clinical laboratories.

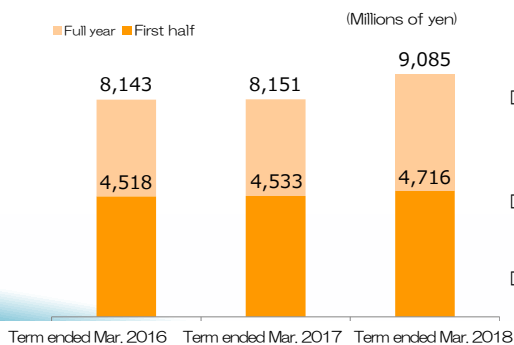
· Develop policies to improve the examination rate in France.

□ Middle East

· Continuing activities toward national screening in each country.

□ Asia, Oceania

· Determined to provide our reagents for Australia's National Bowel Cancer Screening Program.



7

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Immunological and serological reagents

◇ YOY: 101.3%

➤ AIA reagents

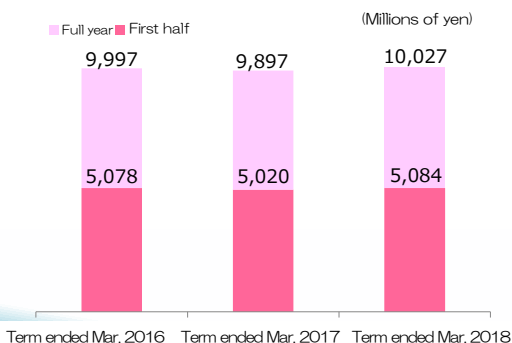
□ Promoting of AIA-CL series introduced from Tosoh Corporation.

□ Competition intensified with other companies, slight increase compared to the same period of the previous year

➤ LZ test

□ Promotion of the spread of stomach health evaluation (ABC classification). Slight increase sales of LZ reagent YOY.

□ Promotion of reagent for Helicobacter pylori antibody test.



8



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Urinalysis test strips

◇ YOY: 118.6%

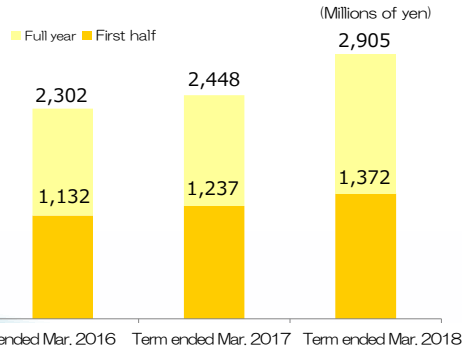
➤ Domestic sales :

□ 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.



9

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Microbiological reagents

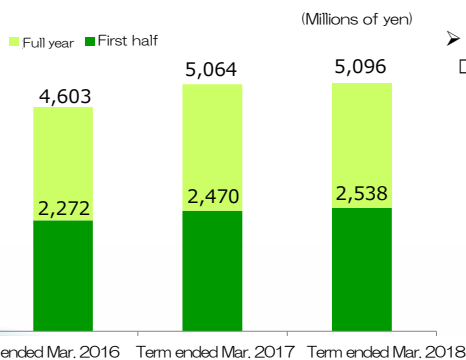
◇ YOY: 100.6%

➤ Quick test reagents

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

➤ Antibiotic sensitivity test reagents

□ Increase in dry plate sales due to get new customers, 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.



10

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Molecular genetics(LAMP)

◇ YOY: 91.3%

➤ 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.

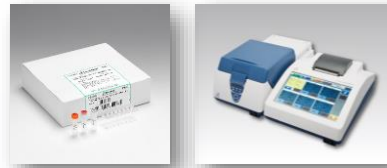
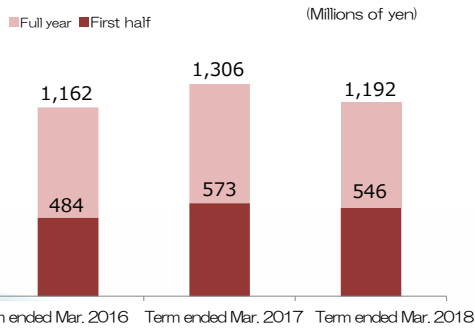
□ TB-LAMP:

Listed in the catalog of GDF※.
Adoption of TB-LAMP in Cameroon and got Global Fund Budget.

➤ Licensing fee

- 512 million yen.

• the previous year: 472 million yen.



11

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Consolidated overseas sales

Sales

◇ YOY : 132.3%

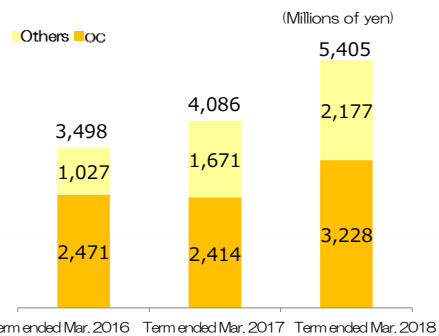
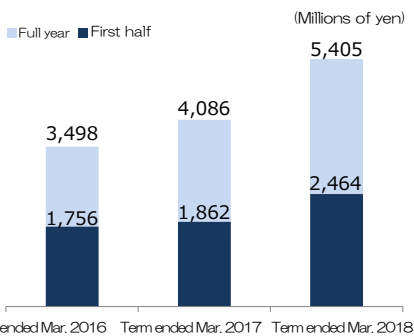
Sales for product category

◇ OC YoY: 133.7%

⇒ Increase sales in the US, Europe and Australia.

◇ Other (including equipment) YoY: 130.2%

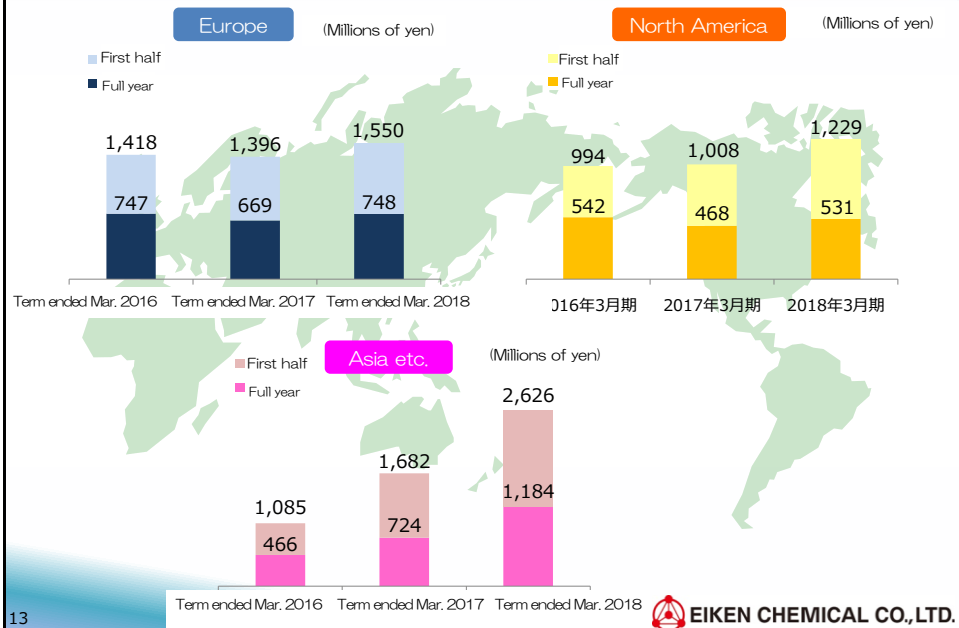
⇒ Increase sales due to contribute of sales of urine test strips / analyzers for Sysmex.



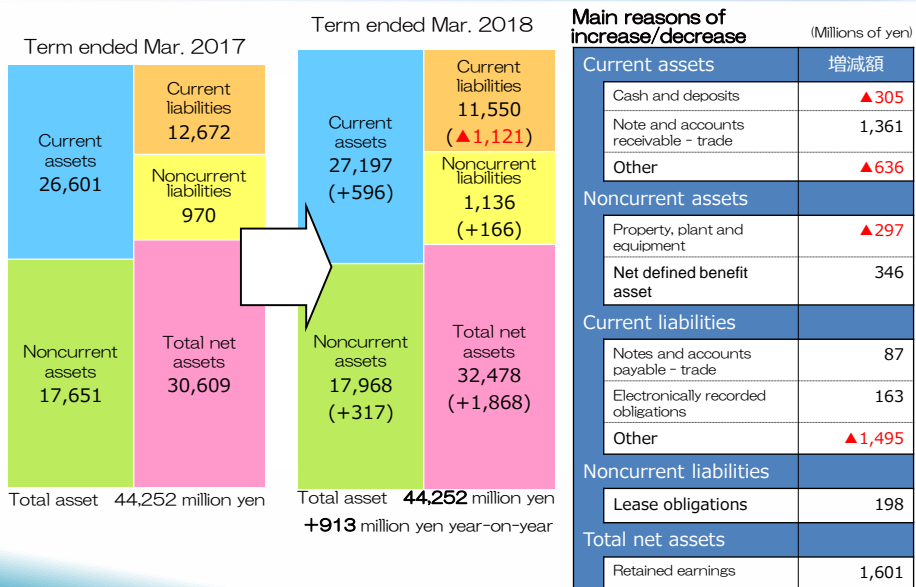
12

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Consolidated overseas sales

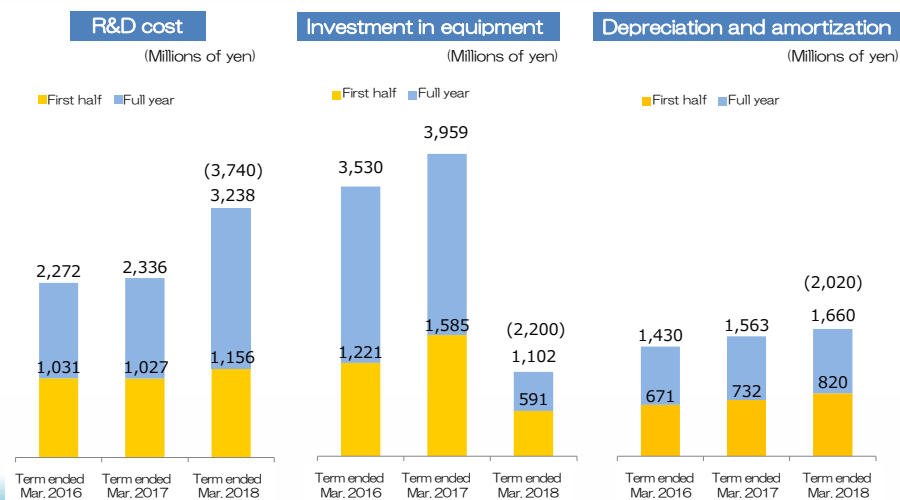


Consolidated balance sheets



R&D cost and investment in equipment (consolidated)

() : forecast of beginning of term



15

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Consolidated Statements of Cash Flows

(単位：百万円)

	Term ended Mar. 2017	Term ended Mar. 2018
Cash and cash equivalents at beginning of the period	5,074	6,984
Net cash provided by (used in) operating activities	4,701	4,091
Net cash provided by (used in) investing activities	(1,876)	(3,250)
Net cash provided by (used in) financing activities	(910)	(1,175)
Effect of exchange rate changes on cash and cash equivalents	(4)	1
Cash and cash equivalents at end of the period	6,984	6,651

Main items in operating cash flows	Changes	Main items in investing cash flows	Changes
Income before income taxes and minority interests	3,474	Purchase of property, plant and equipment	(3,128)
Depreciation and amortization	1,660		
Decrease in notes and accounts receivable - trade	(1,360)	Main items in financing cash flows	Changes
Increase in notes and accounts payable - trade	633	Cash dividends paid	(1,007)
Decrease in inventories	505		
Income taxes paid	(984)		

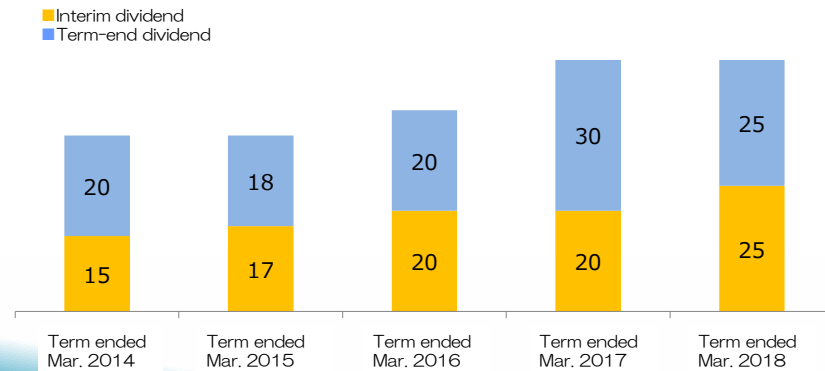
16

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Return to shareholders - dividend -

annual dividend per share : 50 yen per share

Consolidated total dividends : 915 Millions of yen
Dividend payout ratio: 35.1%



17

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Consolidated earnings forecast for the term ending Mar. 2019

18

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Primary strategies for the term ending Mar. 2019

Seles

(1) Fecal immunological test

- ✓ Expansion of market by domestic colorectal cancer screening promotion activity.
- ✓ U.S.
Promotion of switching from chemical method to FIT by USPSTF guideline and Multi-Society Task Force (MSTF) recommendation. Expansion of Private Brand.
- ✓ Europe
Strengthen sales measures to expand market share in Germany.
Realization of policies to improve France screening rate.
Efforts toward acquisition of national screening in England.
- ✓ Acquisition of new markets : Middle East, India, Russia, South America, East Europe.

(2) Urinalysis test

- ✓ Domestic :
New acquisition of full automatic urine analyzer "US-3500" through cooperation with urine sediment manufacturer. Promotion of the automatic urine analyzer "US- 1200 "
Construction of early screening of kidney disease and school checkup market using A/C
P/C test strips.
- ✓ Overseas: Expansion of sales of urinalysis test strips / analyzer for Sysmex.

19

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Primary strategies for the term ending Mar. 2019

Sales

(3) Immunological serological test

- ✓ Promote dissemination of stomach health check (ABC classification). Domestic /Overseas
- ✓ Promote 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)

- ✓ Domestic:
Promote of LAMP reagent at hospital by medical fee revision (rapid microbial nucleic acid identification / quantitative test addition).
- ✓ Overseas:
Promote Field Study mainly in Africa and Asia
Promote spread of TB-LAMP in each country that received catalog of GDF (Global Drug Facility).

20

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Primary strategies for the term ending Mar. 2019

R&D

- (1) Continue efforts towards the early launch of Small Fully Automated Genetic Testing System (Simprova).
- (2) Prepare for an application focus on OTC guidelines for fecal occult blood tests.
- (3) Study for expanding the lineup of immunochromato products
- (4) Search for new biomarkers and new technologies.

Base maintenance, others

- (1) Development of a review and the IT Middle plan of the IT investment strategy.
- (2) Maintenance of personnel-related system.
- (3) Promotion of Nogi Plant Expansion Plan.

21

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LAMP Compact Fully Automated System - Simprova Simprova Prototype

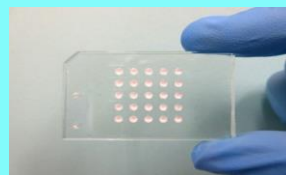


*Nucleic acid Extraction
by Magnetic beads based method*



Pretreatment Pack

Multi-item simultaneous inspection



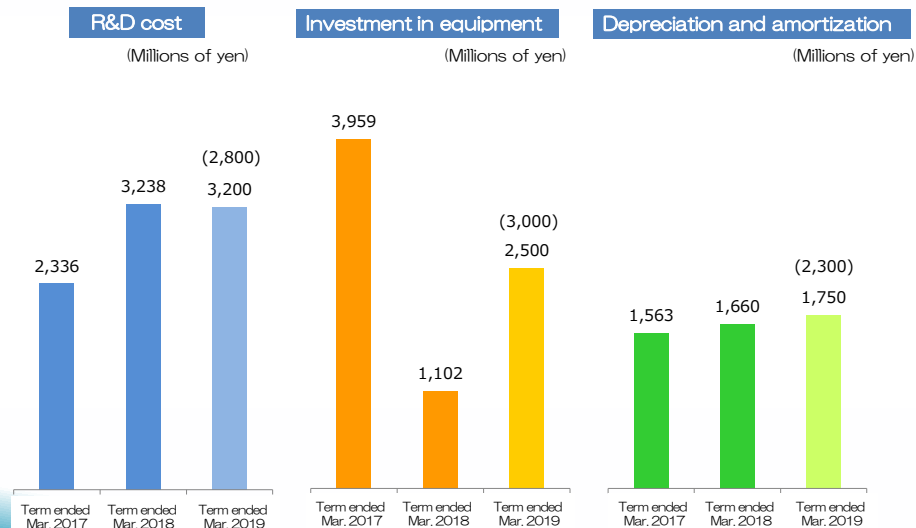
Test chip

22

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

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



23

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Consolidated earnings forecast for the term ending Mar. 2019

Target value (Millions of yen)

	Consolidated		
	Amount	Ratio [%]	YoY change [%]
Net sales	36,760	100.0%	105.1%
Operating income	4,200	11.4%	120.7%
Ordinary income	4,230	11.5%	119.2%
Net income ※1	3,040	8.3%	116.5%

※1 Net income attributable to shareholders of parent company.

Expected dividends ※2 (yen)

	Interim dividend	Term-end dividend	Annual	Consolidated dividend payout ratio
	13	14	27	32.5%

※2 On of April 1, 2018, the Company conducted a stock split at ratio of two shares for every one share common stock.

24

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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.

	Term ended Mar. 2017		Term ended Mar. 2018		Term ending Mar. 2018	
	Originally forecast	Actual results	Originally forecast	Actual results	Originally forecast	Target value
Net sales	33,830	33,274	35,840	34,991	37,880	36,760
Overseas sales	4,760	4,086	6,520	5,405	8,120	6,870
Overseas sales to net sales(%)	14.1	12.3	18.2	15.4	21.4	18.7
Operating income	2,710	3,976	3,070	3,478	4,700	4,200
Operating income to net sales(%)	8.0	12.0	8.6	9.9	12.4	11.4
ROE (%)	6.4	10.0	7.0	8.3	10.4	9.2

※We revised its earnings projection downward for sales and operating income mainly due to downward revision of overseas sales from the medium-term management plan.

25

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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.

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