

Bridge Report EIKEN CHEMICAL (4549)

 President Morifumi Wada	Company	EIKEN CHEMICAL CO., LTD.	
	Code No.	4549	
	Exchange	Tokyo Stock Exchange, First Section	
	Industry	Pharmaceuticals (manufacturing and sales)	
	President	Morifumi Wada	
	HQ Address	7 Yamaguchi building, 4-19-9 Taito, Taito-ku, Tokyo 110-8408, Japan	
	Business Description	Major manufacturer of clinical diagnostics. Its fecal immunochemical test reagents occupies over 50% share of the domestic market. The Company is also aggressively implementing overseas deployment. It is strengthening genetic screening test and is proactive in forming alliances.	
	Year-end	End of March	
	URL	http://www.eiken.co.jp/en/	

— Stock Information —

Share price	Number of shares issued (excluding treasury shares)		Total market cap	ROE (Actual)	Trading unit
2,130Yen	18,296,184 Shares		38.970 million yen	8.9%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
40.00 Yen	1.9%	99.47Yen	21.4times	1,529.13Yen	1.4times

*Share price is as of the end of May 27. The number of shares issued is from the latest financial settlement report (excluding treasury shares from the number of shares issued). ROE and BPS are based on actual results at the end of the previous term.

— Business Performance Trends —

(Unit: Million yen, Yen)

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2010	26,841	1,902	2,011	1,214	66.87	25.00
March 2011	27,562	2,709	2,775	1,672	92.06	30.00
March 2012	27,702	2,363	2,543	1,460	80.38	30.00
March 2013	28,645	2,548	2,812	2,453	134.98	35.00
March 2014	30,027	3,008	3,095	1,984	109.13	35.00
March 2015	31,014	2,826	3,013	2,100	115.13	35.00
March 2016	32,163	3,536	3,570	2,429	132.85	40.00
March 2017 Est.	33,830	2,710	2,710	1,820	99.47	40.00

* Estimates are those of the Company. From March 2016, the definition for net income has been changed to net income attributable to owners of parent.

This Bridge Report presents EIKEN CHEMICAL's earnings results for the fiscal year March 2016.

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Key Points

•Eiken Chemical is a general manufacturer of clinical diagnostic agents. It offers fecal immunochemical test reagents that occupy about 57% of the domestic market share, as well as many other products that occupy high market share including urinalysis test strips and microbiological reagents. Its unique gene amplification technology “LAMP” is globally renowned. With fecal immunochemical tests, urinalysis test strips and LAMP, Eiken aims to grow into a global corporation.

•The net sales for fiscal year (FY) 2016 were 32,100 million yen, up 3.7% compared to the previous year. Domestic sales increased 1.3% compared to the previous year, as the sales of urinalysis test strips grew, the sales of fecal immunochemical test reagents rose slightly, and the sales of microbiological reagents were sluggish. On the other hand, overseas sales soared 29.4% compared to the previous year. The performance of the reagents and equipment for fecal immunochemical testing in U.S.A. and Europe was healthy. Especially, the commencement of screening for colorectal cancer in France and Spain contributed. The efforts for controlling SG&A expenses bore fruit, boosting operating income 25.1% compared to the previous year to 3,500 million yen. Dismantlement cost, etc. for constructing a new production building in Nogi Plant amounted to 183 million yen, but net income rose 15.7% compared to the previous year.

•In FY 2017, sales are projected to increase 5.2% compared to the previous year to 33,800 million yen. Overseas sales mainly in Europe and the U.S.A. are expected to grow significantly. There will be intensive R&D investment, increases in travel expenses and packing cost for enhanced sales activities, and IT investment for streamlining business operation. This will augment SG&A expenses, and so operating income is estimated to drop 23.4% compared to the previous year to 2,700 million yen. Annual dividend is to be 40.00 yen/share, with interim and term-end dividends being both 20.00 yen/share like the previous term. Forecasted payout ratio is 40.2%.

•The company produced the mid-term managerial plan of the Eiken Group for the coming 3 years till the term ending Mar. 2019, which is the last fiscal year of “EIKEN ROAD MAP 2009” and the 80th anniversary of the establishment of Eiken. Its growth strategies are (1) to expand the share of its products in the Japanese market, and (2) to accelerate global business expansion. As the investment for further growth, the company plans to (1) strengthen R&D and (2) develop a base for enhancing management efficiency.

•Overseas sales are expanding. In the previous term, the introduction in England was delayed, but the commencement in France and Spain contributed significantly. The mid-term managerial plan set the target ratio of overseas sales for the term ending Mar. 2019 at 21.4%, which indicates a two-fold increase from the previous term. As mentioned in the section of the interview with the president, the progress of fecal immunochemical testing, introduction in the U.S.A. and Germany, which have huge markets, is expected. Due to the investment for developing a stable revenue structure, profit is estimated to decline this term, but we would like to pay attention to the future path of growth from the mid-term viewpoint.

1. Company Overview

EIKEN CHEMICAL is a general manufacturer of clinical diagnostics, including immunological and serological, microbiological, clinical chemistry, urine analysis and genetic screening test. It also develops and sells medical devices. It offers many products that occupy high market share including fecal immunochemical test reagents that occupy about 57% of the domestic share. Its unique gene amplification technology, “LAMP”, is highly recognized in the world. With the fecal immunochemical test reagents, urinalysis test strips and LAMP, EIKEN is aiming to become a global corporation.

【History】

1939	Established Koa Kagakukogyo Co., Ltd. and began manufacturing and sales of nourishing food articles and pharmaceuticals using livestock internal organs as raw materials.
1949	First in Japan to successfully commercialize a powder medium (SS agar) for bacteriological examination.
1955	Published the monthly scholar journal “Modern Media.”
1961	Established Clinical Laboratory Division and began R&D on clinical diagnostics.
1965	Completed construction on the Nogi plant.
1969	Company name changed to Eiken Chemical Co., Ltd. in recognition of its 30 th anniversary.
1972	Commencement of the sales of “Uropaper Eiken,” a urine analysis test strip.
1984	Completed construction on the Nasu plant.
1987	Commencement of the sales of “Hexabrix 320,” a low osmolality contrast agent.
1987	Commencement of the sales of “OC-hemodia” (visual determination method), the fecal immunochemical test reagent.
1989	Commencement of the sales of “OC Sensor,” the automated fecal immunochemical test analyzer.
1990	Listed stock in the second section of the Tokyo Stock Exchange.
1992	Commencement of the sales of “US-2100,” an automated urine analyzer.
1998	Developed LAMP, an innovative gene amplification technology, and filed patent applications.
Apr. 2001	Began sales of in-house clinical reagents and devices.
Mar. 2002	Listed stock in the first section of the Tokyo Stock Exchange.
Mar. 2002	Obtained patent for LAMP method in the U.S.A.
Mar. 2002	Commencement of the sales of “Loopamp Bovine Embryo Sexing Kit,” the first product to use the LAMP method, and of specialized equipment.
May 2002	Obtained patent for LAMP method in Japan.
Dec. 2003	Commencement of the sales of “Loopamp SARS Coronavirus Detection Kit.”
Sep. 2004	Established Eiken Shanghai Co., Ltd.
Nov. 2004	Acquired FDA approval for fecal immunochemical test reagents and analyzer and began U.S.A. sales.
Jun. 2005	Transition to a company with a committee governance structure (currently referred to as a company with a nomination committee, etc.).
Jul. 2005	Entered into an agreement with the Foundation for Innovative New Diagnostics (FIND) for joint development of a LAMP-based rapid diagnostic test for tuberculosis.
Oct. 2005	Succession of contrast agent manufacturing and sales agreement.
Oct. 2005	Obtained ISO 13485 and ISO 9001 certification.
Aug. 2006	Construction completed on the Eiken Shanghai Co., Ltd. plant and office building (presently Eiken China Co., Ltd.)
Oct. 2008	Entered into a new agreement with FIND for joint development of drugs and therapies against malaria, African sleeping sickness, and HIV.
Mar. 2009	Established new management vision “EIKEN WAY” and “EIKEN ROAD MAP 2009.”



Apr. 2010	Obtained ISO 14001 certification.
Jun. 2011	Commencement of the Japan sales of the “Loopamp MTBC Detection Kit” that was developed in collaboration with FIND.
Jun. 2011	Established a European office (now the European branch) in Amsterdam, the Netherlands.
Dec. 2011	Entered into an agreement with FIND for joint development to treat and prevent leishmaniasis.
Aug. 2012	Commencement of the sales of “BLEIA-1200,” the fully automated biochemistry photogenetic immunoassay device and of “BL-NV ‘EIKEN’,” a Norovirus detection agent.
Nov. 2012	Commencement of the sales of “Immuno Catch Noro” which uses the immunochromatographic analysis method.
Mar. – Jul. 2013	Commencement of the sales of screening kits for BLEIA-1200: “BLEIA ‘EIKEN’ HCV Antibody,” “BLEIA ‘EIKEN’ HCV Antigen,” and “BLEIA ‘EIKEN’ HBs Antigen.”
Jan. 2014	Entered into an agreement with FIND for joint development to treat and prevent Chagas disease.
Mar. 2014	Commencement of the sales of “DPS192iX,” the drug sensitivity testing device and 3 types of “Dry Plate ‘EIKEN’ 192.”
Jan. 2015	Developed next-generation compact fully automatic genetic testing device and multi-item testing chip, using the LAMP method.
Jan. 2016	Formed a tie-up with Sysmex Corporation for the urine chemistry testing business in overseas markets.

* For further information about the LAMP method and FIND, please refer to “2. Characteristics and Strengths (4) Competitive Advantages of the LAMP Method.”

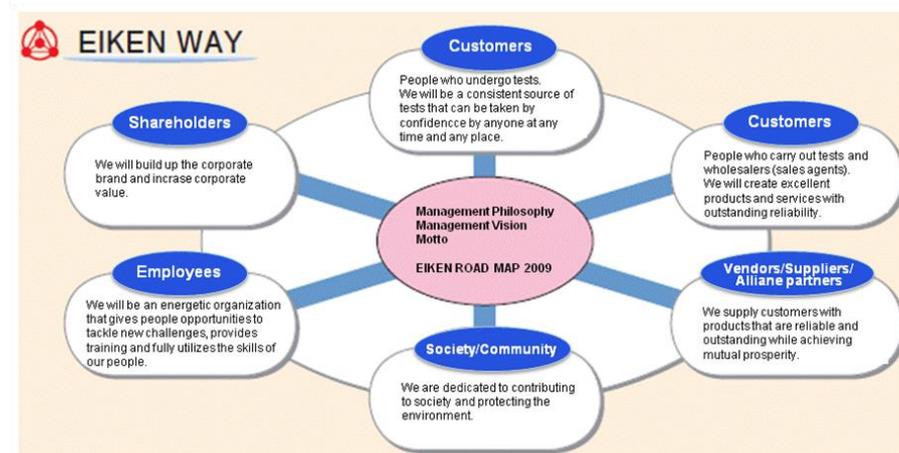
【Management Philosophy】

“Management Philosophy”: Protect the health of the public through health care services.

“Management Vision”: EIKEN group is dedicated to leveraging expertise as a medical testing pioneer in order to increase corporate value by protecting the health of the public with products and services that customers can trust.

“Motto”: We EIKEN provide trustworthy quality, and develop with technology.

EIKEN group formulates “EIKEN WAY” as its attitude toward each stakeholder, centering these philosophy, vision and motto.



(Source: EIKEN CHEMICAL)

【Market Environment】

<Domestic Market>

The market scale of clinical reagents is about 338 billion yen and 557.3 billion yen (including research reagents and diagnostic devices) as of 2014 (survey by the Japan Association of Clinical Reagents Industries, or JACRI).

In order to control rising medical costs, the Japanese government is focusing on preventive medicine such as special health check-ups (metabolic check-ups) and cancer screenings. It is expected that this, along with the aging population, will lead to an increase in the number of samples (number of specimens).

Some negative factors include the impact of population decline as a result of decreasing birth rates and revision of medical treatment fees (reduction). However, the trends of laboratory test fees which had been subject to revision of insurance (medical laboratory test fees) show that, even though they were cut by some 40% from 1997 to 2006, the fees have been stable or only slightly reduced after 2007. (Laboratory test fee in fiscal 2016: -0.4%)

This is a result of advocacy on the importance of preventive medicine and clinical diagnostics by the entire industry including Eiken. Thus, in the mid to long term, the domestic market is expected to slightly grow by 3% each year.

According to the “Prospect of Clinical Laboratory Test Market, 2009” conducted by Yano Research Institute, Eiken Chemical ranked the 5th largest, occupying 5.8% market share, after Sysmex (6869, first section of Tokyo Stock Exchange), Roche Diagnostics (Japanese corporation of the Roche Group in Germany), Fujirebio (now known as Miraca Holdings, 4544, first section of Tokyo Stock Exchange), and Abbott Japan (Japanese corporation of the Abbott Group in the US).

Out of the 126 member companies (as of April 2016) of JACRI mentioned above, about 80 are manufacturers, and there are about 15 companies with over 10 billion yen in sales. Most of them are small to medium sized companies. Because the test items of diagnostic tests range widely, each company has its own field of strength, and business segregation is already established in the industry. As a result, collaboration, such as supplying raw materials and products from other companies and manufacturing and selling them, is often observed. Against such a backdrop, the market is modestly growing. Therefore, there is currently no apparent trend of weeding out uncompetitive corporations.

<Overseas Market>

The global clinical laboratory test reagent/device market is estimated to be US\$ 56 billion and, by region, the market is occupied by the USA at 42%, followed by Europe at 33% and Asia/Pacific at 22%.

The overseas market is over ten times larger than the domestic market. In developed countries, the number of tests is increasing as aging of population progresses. Furthermore, in emerging countries, the needs for medical services are expanding because of economic and income growth. As a result, the annual growth rate of overseas market is expected to be 7 to 8%, which is much higher than that of the domestic market. Therefore, the Japanese companies in the industry are vigorously undertaking globalization of their businesses.

In the global market, the global large companies such as Roche, Abbott, SIEMENS, and Beckman, whose sales are 200,000 to 900,000 million yen, are leading the market, and in order for Japanese companies to survive the competition, they must strengthen their competitiveness by, for example, developing unique products or systems.

【Business Description】

1. What are Clinical Tests?

One type of clinical tests is the “Biological test” that directly examines the body using medical equipment such as X-ray, CT, MRI, electrocardiogram, and ultrasound. Another type of clinical tests is the “Physiological function tests (laboratory tests)” that examines biological samples (specimens) obtained from people such as blood, urine/feces, and cells.

The clinical test reagents made by Eiken Chemical are the ones used for medical laboratory tests. For example, they are used to test infectious diseases or to measure small amounts of blood contained in stool. They are made to support diagnosis. Most of these reagents are called in vitro diagnostics (IVD) and are regulated by the Pharmaceutical and Medical Device Act so reagent manufacturers file applications with PMDA (Pharmaceuticals and Medical Devices

Agency) and obtain its approval. Users include hospitals, clinics, medical offices, medical test centers that carry out tests commissioned by medical institutions, health screening centers, public health centers, and institutions for health research, etc.

2. Major Products

Eiken Chemical mainly manufactures and sells the following types of reagents and medical devices.

As they deal with a wide range of reagents, they not only sell their in-house products but also purchase and sell products from other companies.

Major in-house products include fecal immunochemical test reagents, microbiological reagents, immunological and serological reagents, urinalysis test strips, genetic testing reagents, etc. The sales ratio of in-house products to other companies' products is approximately 60:40. The gross profit margin is approximately 55% for in-house products and approximately 35% for other companies' products.

Product Name	Sales	Sales Proportion
Fecal Immunochemical Test Reagents	8,143	25.3%
Immunological and Serological Reagents (Excluding Fecal Immunochemical Test Reagents)	9,997	31.1%
Urinalysis Test Strips	2,302	7.2%
Microbiological Reagents	4,603	14.3%
Clinical Chemistry Test Reagents	643	2.0%
Equipment/ Culture Medium Related to Food and Environment	2,233	6.9%
Medical Devices	3,077	9.6%
Molecular genetics (LAMP) (Reagents/Royalties)	1,162	3.6%
Total Sales	32,163	100.0%

*Results for the fiscal year ended March 2016. Unit: Million Yen

Fecal Immunochemical Test Reagents

The major products for Eiken Chemical are reagents and sampling bottles for fecal immunochemical tests to specifically detect and measure human hemoglobin in feces as a colorectal cancer screening and diagnosis and are sold globally.

Immunological and Serological Reagents (Excluding Fecal Immunochemical Test Reagents)

Starting with reagents for "LZ Test 'EIKEN'," an automated analyzer, Eiken Chemical develops, manufactures, and sell a large selection of products such as reagents for tests of rheumatism and other autoimmune diseases (MMP-3, RF), inflammation markers (CRP, SAA) measurement reagents, reagents for tests of atrophic gastritis (Pepsinogen I and II), Helicobacter pylori antibodies in serum or plasma, and prostate-specific antigen (PSA).

They also install and sell reagents for fully automated enzyme immunoassay devices and reagents for automatic glycohemoglobin analyzers from Tosoh Corporation.

Urinalysis Test Strips

Eiken Chemical develops, manufactures, and sells "URO PAPER III 'EIKEN'," a urinalysis test strip for testing various items such as occult blood, protein and glucose, as well as the "URO PAPER α III 'EIKEN'," a specialized test strip for fully automated urine analyzers.

Microbiological Reagents

Since its establishment, Eiken Chemical has been developing biological specimens as well as reagents for microbiological tests for food and environment in order to prevent infectious diseases and food poisoning. Currently, it develops, manufactures and sells various reagents that are effective for diagnosis and treatment of microorganism infection, such as mediums, powder mediums, antimicrobial susceptibility tests, and rapid test reagents.

Clinical Chemistry Test Reagents

Eiken Chemical develops, manufactures and sells reagents for clinical chemistry tests including “EXDIA XL ‘EIKEN’” series that assist to measure and analyze biological components in blood serum and urine, with a focus on the test items that are related to lifestyle related diseases.

Equipment/ Culture Mediums Related to Food and Environment

Eiken Chemical sells reagents for microbiological tests on food to detect food poisoning bacteria as well as reagents for environmental microbiological tests and equipment and devices to measure contamination of work environments.

Medical Devices

Eiken Chemical sells various types of automated analyzers. They contract manufacturing specialized equipment that uses their in-house reagent. Since beginning sales of “OC Sensor” in 1989, they have worked continuously on technological innovation and quality improvement of this fecal immunochemical test analyzer. Also, they offer the “US,” an automated urine analysis device that uses Eiken’s proprietary image processing system, the “BLEIA-1200,” a fully automated biochemistry photogenetic immunoassay device that was the world’s first of its kind in the clinical testing field, and “LoopampEXIA,” a LAMP-based real time turbidity measuring device.

Molecular genetics (LAMP)

In 1998, Eiken Chemical developed and patented an innovative gene amplification technology called “LAMP.” The LAMP is “simple, rapid, and accurate” and is a critical tool for Eiken’s future global expansion of its business. (Details are described below)

3. Sales structure

EIKEN CHEMICAL has 11 sales offices and 2 sales divisions in Japan. Its academic department supports sales promotion.

Out of 637 employees (non-consolidated) during FY 2016, about 300 belong to the sales department.

As for the sales channels for medical institutions such as hospitals, the Company’s direct sales partners are medical wholesale companies, and it has businesses with almost all of the wholesale companies in the medical industry.

For overseas sales, EIKEN CHEMICAL has basically 1 agency per country, and the sales and maintenance are commissioned to the agencies.

EIKEN’s products are exported to 43 countries (FY 2016). The high proportion of overseas sales is occupied by the sales in the USA, Italy, France, Spain, South Korea, and Taiwan.

In addition to the Europe Branch in Amsterdam (the Netherlands), the Company is strengthening its manufacturing and sales structure through its consolidated subsidiary, “EIKEN CHINA CO., LTD.,” as well as aiming to expand its businesses by setting a business office in China. In the future, it will explore the possibility of making the office as a local corporation, as the size expands.

The overseas sales for FY 2015 are 3.498 billion yen, out of which 2.471 billion yen, 70.6%, is from the sales of fecal immunochemical test reagents and medical devices.

【ROE Analysis】

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
ROE (%)	7.0	10.9	8.3	8.3	8.9
Net Profit Margin (%)	5.27	8.56	6.61	6.77	7.55
Asset Turnover Ratio (x)	0.84	0.84	0.84	0.83	0.83
Leverage (x)	1.58	1.52	1.50	1.47	1.42

EIKEN CHEMICAL sets ROE 10.4% as a target in FY March 2019 in its mid-term management plan.

The Company aims to fortify priority measures, including developing high value-added products, generating new businesses and new markets, improving further profitability and productivity through reducing COGs rate and SG&A rate.

Moreover, the Company plans to enhance overseas sales forces including increment of sales staff especially, because it is needed to raise the in-house products rate from 60% to 70 or 80%.

(The reason for the high ROE in FY 2013 was the increased net income margin from posting extraordinary income from land sales.)

【Characteristics and Strengths】

(1) Products that Occupy High Share in the Market

The share of Eiken's fecal immunochemical test reagents is ranked top (approximately 57%) in the domestic market. Furthermore, many of their in-house products occupy high market share in the market, for example, urinalysis test strips occupying approximately 23% (ranked second) of the market, and microbiological reagents occupying approximately 18% (ranked second) of the market.

The background to how Eiken's fecal immunochemical test reagents have come to hold such a high share of the market includes that in 1987, Eiken began sales of "OC-Hemodia," a visual determination method fecal immunochemical test reagents, a product that more closely conformed to user needs when compared to competitor's products, and that in 1989 they adopted the latex photometric immunoassay method and began sales of "OC-Sensor," the world's first fully automated analyzer.

Also, the Health and Medical Service Act for the Aged was revised in 1992, making it possible to have fecal immunochemical test reagents as a method in colon cancer screening and diagnosis using public funds (no cost to the patient) which led to an accelerated spread and increased competition. But in 2001, Eiken began sales of the "OC-Sensor neo," with completely remodeled functions, which increased its market share.

Fecal immunochemical test (FIT)

When there is cancerous tissue or polyps in the colon, due to friction they withstand as stool comes out, there may be blood on the stool.

Fecal occult blood test can detect even the smallest quantities of blood attached to stool that normally go unseen by the naked eye.



(Source: EIKEN CHEMICAL)

As for fecal immunochemical tests, Eiken will expand its business globally based on the above characteristics.

The immunochemical method used in Japan applies reagents that react only to human hemoglobin, and can process a large volume simultaneously.

Meanwhile, in other countries, reagents for the chemical method (Guaiac method) based on old measuring principles are still used, which presents accuracy challenges. In 2011, the test guidelines in Europe have finally begun recommending automated analyzers that use the immunochemical method. As a result, the market is beginning to undergo a dramatic change.

Furthermore, although the chemical method is also still common in the United States, which has the largest potential market, trends show a gradual shift toward the immunochemical method. This means that, in both developed and emerging countries in Europe, North America, Asia and Oceania, there is a large unexplored market.

Because the fecal immunochemical test market is a niche market, Japanese companies, the forerunners of the immunochemical method, own the most advanced technique, and hence Eiken's reagents and equipment are the global standard.

(2) Focusing on research and development

EIKEN CHEMICAL is focusing on research and development of unique technologies as a research and development corporation, and the development of original products that respond to customers' needs, using the unique technologies. The number of staff assigned for research and development is about 100.

The demand from the customers is higher quality of medicine. Specifically, they demand for higher differential diagnosis accuracy with high sensitivity and high quality and improved detection rate. In addition, easier usage will lead to reduction in the work of medical staff. Responding to such needs is critical.

Since its establishment in 1939, EIKEN CHEMICAL has accumulated unique technologies for manufacturing reagents. Their unique technologies are applied to the measuring principles of their devices such as fecal occult blood test analyzer, automated urine analyzer, and biochemiluminescent immunoassay analyzer "BLEIA" that are designed to optimize the performance of the reagents.

(3) Development of various types of products in various fields through alliance strategy

Because clinical test reagents have wide range of subjects and items, it is not possible for one company to develop, manufacture and sell all types of reagents. The other companies in the industry are focusing on the technologies and products that they are specialized in. However, as an integrated manufacturer of clinical test reagents, EIKEN CHEMICAL aims at stabilizing profit structure, expanding their own strengths through alliance strategy, and pursuing synergy effects such as complementing functions and acquiring new technologies, while dealing with a wide range of products and responding to the needs of customers and users such as medical institutions.

Another reason why they cover various types of products in various fields is that they believe that covering wide range of clinical tests is their social responsibility to protect the health of the public, as is stated in their management philosophy: "protect the health of the public through health care services".

(4) Competitive Advantages of the "LAMP"

Thus far the mainstream technology for amplifying genes as a process of gene tests has been what is called "PCR" Under such circumstances, in 1998, Eiken Chemical developed a unique technology called the "LAMP."

Compared to the PCR, the "LAMP" offers the following superior characteristics and allows users to carry out simple, rapid and accurate gene tests.

Simple	Amplification response occurs at a constant temperature (with the PCR, the temperature needs to be changed for amplification).
Rapid	High amplification efficiency, with genes being detected within 30 to 60 minutes (with the PCR, it takes 2 to 3 hours).
Accurate	Extremely high specificity.

Currently in the medical field, the LAMP is used to diagnose infectious diseases such as tuberculosis, mycoplasma (a genus of bacteria, it can also cause pneumonia), legionella, pertussis, etc.

Eiken Chemical is making focused efforts on infectious disease diagnostic test in order to establish the status of the LAMP. At the same time, it is promoting the use of the LAMP in other fields such as food production and processing, environment, agriculture/veterinary in order to spread and enhance recognition of the LAMP. In fact, the LAMP-based products have been commercialized one after another since 2002.

Furthermore, for the same purposes, Eiken Chemical is actively giving licenses to external companies in order to build the LAMP camp.

One of the major actions to spread the LAMP in the world is an alliance with "FIND."

"FIND" stands for "Foundation for Innovative New Diagnostics" and is a non-profit organization recognized by the Swiss government, launched at a meeting of the United Nations World Health Assembly in May 2003. In its initial five years of existence, it received a grant from the Bill & Melinda Gates Foundation to start up their activities.

Their goal is to develop and introduce affordable, simple and advanced diagnostic tests in order to eradicate infectious diseases in developing countries.

FIND's scope of activities includes tuberculosis, malaria, and African sleeping disease. With tuberculosis, collaborative research between Eiken Chemical and FIND for a tuberculosis test using the LAMP began in July 2005. The purpose of this research is to improve the accuracy of tests by replacing the microscopy test (sputum smear test), which is the current practice in developing countries.

As a result of this collaboration, improvements which are not possible with the conventional PCR such as simplified pretreatment (PURE), improved reagents storage (store at room temperature) and simplified devices have been made to enable the developing countries to carry out the procedure.

This LAMP-based product was already launched in Japan in 2011.

Presently, in order to obtain endorsement from the WHO (World Health Organization), FIND has completed clinical evaluation in 14 developing countries and submitted this information to the WHO. The company is estimated to receive a recommendation soon.

In addition to tuberculosis and other diseases listed above, Eiken Chemical and FIND also conduct collaborative research of reagents for leishmaniasis and Chagas disease.

Also, Eiken Chemical is developing a next-generation compact fully automated genetic testing device and multi-item testing chip using the LAMP. This equipment fully automates the process from specimen preprocessing (nucleic acid extraction and purification) to amplification and detection. By developing the unique protocol that exploits the LAMP's characteristics, the operation time that used to take over 2 hours with a conventional high purity nucleic acid extraction and purification device and an amplification and detection device combined, is now shortened to less than 30 minutes. First, a clinical performance test will be carried out with the goal of simultaneous detection of several respiratory infection causing germs but the usage application is extensive.

It is anticipated that through these products, Eiken Chemical will accelerate the spread of the LAMP and establish its position as the global standard in a newly created market.

*** Gene amplification technology**

Since the amount of genes found in a genetic test sample is extremely small, in order to detect genes, the targeted gene must be amplified first of all. Gene amplification technology, therefore, is crucially important for genetic testing.

*** African trypanosomiasis**

An endemic found in tropical Africa, African trypanosomiasis is a serious tropical disease transmitted to humans by a protozoa called *Trypanosoma brucei*. The disease is transmitted by a tsetse fly. *Trypanosoma* in human blood sucked by a tsetse fly develops and propagates inside the human body in 2 to 5 weeks, before turning itself into a terminal *Trypanosoma*-type, which becomes a source of next round of infection. The disease causes fever, headache, and vomiting, and the patient falls into constant sleep. Since the patient cannot take meals, he or she becomes thin and complain of generalized weakness and, in many cases, leads to a complication and dies.

*** Leishmaniasis**

Leishmaniasis is a disease transmitted by a protozoa called leishmania, and has various types such as visceral leishmaniasis (also known as black fever), Brazilian leishmaniasis that affects skin and mucous membranes, and tropical leishmaniasis which affects skin. All of these types are transmitted by blood-sucking insects, especially sandflies. Visceral leishmaniasis, after about three months incubation period, causes fever, sweating, diarrhea, etc. and, in about one month, causes a swollen liver and spleen, the patient develops an anemia and becomes weak if untreated, and may die in half a year to two years.

*** Chagas disease**

Found in southern U.S. as well as Central and South America, Chagas disease is an infectious disease transmitted by Reduviidae, a kind of blood-sucking Triatominae. The disease does not develop symptoms immediately after infection; it usually has a latency period of about 30 years. It causes symptoms such as inflammation of sinews, liver and spleen, myalgia, myocarditis, cardiomegalia, encephalomyelitis, cardiac disturbance, etc.

2. Fiscal Year March 2016 Earnings Results

(1) Overview of consolidated results

(unit: million yen)

	FY 2015	Composition ratio	FY 2016	Composition ratio	Year-on-year comparison	Estimate at the beginning of term
Sales	31,014	100.0%	32,163	100.0%	+3.7%	(2.0%)
Domestic	28,310	91.3%	28,665	89.1%	+1.3%	(1.0%)
Overseas	2,704	8.7%	3,498	10.9%	+29.4%	(9.4%)
Gross margin	12,868	41.5%	13,402	41.7%	+4.1%	-
SG&A	10,041	32.4%	9,866	30.7%	(1.7%)	-
Operating income	2,826	9.1%	3,536	11.0%	+25.1%	+6.2%
Ordinary income	3,013	9.7%	3,570	11.1%	+18.5%	+6.6%
Net income	2,100	6.8%	2,429	7.6%	+15.7%	+11.4%

Sales and profit grew slightly. Overseas sales were favorable, while domestic sales remained on a plateau.

Sales were 32,100 million yen, up 3.7% from the previous term. Domestic sales increased 1.3% compared to the previous year, as the sales of urinalysis test strips, etc. grew, the sales of fecal immunochemical test reagents rose slightly, and the sales of microbiological reagents were sluggish.

On the other hand, overseas sales soared 29.4% compared to the previous year. The performance of the reagents and equipment for fecal immunochemical testing in U.S.A. and Europe was healthy. Especially, the commencement of screening for colorectal cancer in France and Spain (Madrid and Barcelona) contributed.

The efforts for controlling SG&A expenses bore fruit, boosting operating income 25.1% compared to the previous year to 3,500 million yen. A foreign exchange gain in the previous term turned into a foreign exchange loss, but the ordinary income increased 18.5% compared to the previous year. Dismantlement cost, etc. for constructing a new production building in Nogi Plant amounted to 183 million yen, but net income rose 15.7% compared to the previous year.

(2) Sales by product

(unit: million yen)

Product	FY 2015	FY 2016	Year-on-year comparison
Fecal immunochemical test reagents(FIT)	7,554	8,143	+7.8%
Immunological and serological reagents (excluding fecal immunochemical test reagents)	9,873	9,997	+1.3%
Urinalysis test strips	2,135	2,302	+7.8%
Clinical Chemistry Test reagents	4,654	4,603	(1.1%)
Biochemical test reagents	658	643	(2.3%)
Equipment/Culture medium related to food and environmental	2,324	2,233	(3.9%)
Medical Devices	2,716	3,077	+13.3%
Molecular genetics (LAMP) (Reagents/Royalties)	1,097	1,162	+5.9%
Total sales	31,014	32,163	+3.7%

- Fecal immunochemical test reagents (FIT)

Sales increased 7.8% compared to the previous year, but the growth rate of domestic sales was as low as 1.7%. The company kept striving to increase the market by popularizing the screening for colorectal cancer. In addition, the company made efforts to increase the sales of fecal immunochemical test reagents, by promoting the installation of "OC Sensor PLEDIA," which is fecal occult blood analyzer released in Nov. 2014.

On the other hand, overseas sales rose 24.9% compared to the previous year, through the sales promotion of reagents in U.S.A.,

the introduction of the screening for colorectal cancer in France and Spain (Madrid and Barcelona), the expansion of sales in Australia and New Zealand, etc. However, the introduction in England was delayed, and so sales did not reach the initial target.

- Immunological and serological reagents (excluding fecal immunochemical test reagents)

Sales increased 1.3% compared to the previous year. The performance of “AIA-related reagents,” which are procured from Tosoh Corporation and sold, was at the same level as that in the previous year. The evaluation of stomach health level (ABC grading) was promoted, and then the sales of the LZ test for the antibody test of *Helicobacter pylori* increased three times from the previous term. In Feb. 2016, the company released the new reagent LZ Test KL-6.

- Urinalysis test strips

Sales grew 7.8% compared to the previous year. The fully automatic urine analyzer “US-3500,” which was released in Feb. 2015, was installed at more institutions, and the sales of the test paper “Uropaper α III Eiken” increased.

Outside Japan, the sales of the urinalysis test strips targeted at Italy rose, and the company started supplying urinalysis test strips, etc. to Sysmex Corporation in Jan. 2016. In addition, the company commenced the construction of a new production building in Nov. 2015, and started preparing for the installation of new equipment for urine test paper.

- Microbiological reagents

Sales dropped 1.1% compared to the previous year. The sales of prepared media (Pore Media) declined, and the performance of reagents for swift testing, mainly Imunocatch-Noro, slowed down. As the lineup of products for respiratory tract infections, the company released “Imunocatch-RSV” in Aug. 2015 and “Imunocatch-pneumococcus” in Jan. 2016.

The sales of the reagents for drug susceptibility testing increased.

- Clinical chemistry test reagents

Sales dropped 2.3% compared to the previous year.

- Equipment /Culture medium related to food and environment

Sales declined 3.9% compared to the previous year.

- Medical Devices

Sales increased 13.3% compared to the previous year, because the results of OC Sensor PLEDIA inside and outside Japan and US-3500 in Japan were healthy.

- Molecular genetics(LAMP)

Sales grew 5.9% compared to the previous year. The sales of the reagents for LAMP products (tuberculosis complex, malaria, and mycoplasma) increased. The development of next-generation compact fully-automatic genetic testing equipment and chips for testing multiple items progressed.

Outside Japan, the company continuously promoted activities for obtaining a recommendation from WHO for tuberculosis testing. The company is preparing distributorship contracts for the global expansion of tuberculosis and malaria testing, and the tuberculosis testing was adopted in the private technology distribution project of JICA in the Philippines.

The income from patent royalties dropped slightly year on year to 471 million yen.

(3) Overseas trends

(unit: million yen)

	FY 2014	FY 2015	FY 2016	Year-on-year comparison
Overseas sales	2,017	2,704	3,498	+29.4%
North America	576	927	994	+7.2%
Europe	810	1,049	1,418	+35.2%
Asia, others	629	726	1,085	+49.4%
FIT	1,455	1,978	2,471	+24.9%
Others	562	725	1,027	+41.6%

*North America

The company promoted the sales of the reagents and equipment for fecal immunochemical testing.

*Europe

The screening for colorectal cancer began in France and Spain (Madrid and Barcelona). On the other hand, in England, the commencement of national screening is delayed.

*Asia, etc.

The company concentrated on the introduction and sales promotion of fecal immunochemical test reagents in Australia, New Zealand, etc., made efforts to expand sales channels in ASEAN, India, etc.; and promoted the sales of LAMP products, the reagents and analyzer for fecal immunochemical testing in China.

*FIND business

WHO is analyzing data, to determine whether or not to give a recommendation for tuberculosis testing. It is still to be determined, but the company considers that it is at the final stage.

(4) Financial status and cash flow

◎Major BS

(unit: million yen)

	End of March, 2015	End of March, 2016		End of March, 2015	End of March, 2016
Current assets	25,285	24,627	Current liabilities	9,995	10,109
Cash and deposits	9,590	8,245	Notes and accounts payable-trade	6,480	6,825
Notes and accounts receivable-trade	9,756	10,233	Provision for bonuses	684	699
Inventory	4,965	4,911	Noncurrent liabilities	1,260	956
Noncurrent assets	12,610	14,639	lease obligations	596	568
Property, plant and equipment	7,118	9,067	Total liabilities	11,255	11,065
Intangible assets	561	637	Net assets	26,639	28,201
Investment and other assets	4,930	4,934	Shareholder equity	26,289	28,060
Total assets	37,895	39,266	Total liabilities and net assets	37,895	39,266

Current assets decreased 658 million yen from the end of the previous term, as cash and deposits declined while notes and accounts receivable-trade increased. Noncurrent assets rose 2,029 million yen from the end of the previous term, due to the growth of property, plant and equipment through the enlargement of Nogi Plant, etc. Consequently, total assets increased 1,371 million yen.

Current liabilities augmented 114 million yen from the end of the previous term, due to the increase in notes and accounts payable-trade, while noncurrent liabilities dropped 304 million yen. Consequently, total liabilities decreased 190 million

yen. Net assets increased 1,562 million yen from the end of the previous term, due to the growth of retained earnings, etc. As a result, equity ratio rose 1.4% from 69.8% to 71.2%.

◎Cash flow (unit: million yen)

	FY 2015	FY 2016	Changes
Operating CF	3,393	3,115	(278)
Investing CF	(6,652)	(3,737)	+2,915
Free CF	(3,259)	(622)	+2,637
Financing CF	(1,107)	(869)	+238
Cash and cash equivalents	6,577	5,074	(1,503)

Operating CF decreased slightly due to the growth of current assets, etc. Free CF recovered significantly, as investing CF recovered through the withdrawal of fixed-term deposits, etc., although the expenditure for acquiring property, plant and equipment augmented.

In the current term, long-term debts were not repaid, and so financing CF recovered slightly.

The cash position declined.

3. Fiscal Year March 2017 Earnings Estimates

(1) Earnings Estimate

(unit: million yen)

	FY 2016	Composition ratio	FY 2017 (Estimate)	Composition ratio	Year-on-year comparison
Sales	32,163	100.0%	33,830	100.0%	+5.2%
Domestic	28,665	89.1%	29,070	85.9%	+1.4%
Overseas	3,498	10.9%	4,760	14.1%	+36.1%
Operating income	3,536	11.0%	2,710	8.0%	(23.4%)
Ordinary income	3,570	11.1%	2,710	8.0%	(24.1%)
Net income	2,429	7.6%	1,820	5.4%	(25.1%)

*The estimates were based on the announcement by the Company.

Sales will grow and profit will drop, due to the cultivation of overseas markets, intensive R&D investment, etc.

Sales are projected to increase 5.2% compared to the previous year to 33,800 million yen. Overseas sales mainly in Europe will grow considerably this term, too.

Operating income is estimated to decrease 23.4% compared to the previous year to 2,700 million yen, due to the intensive R&D investment, increases in travel expenses and packing expenses for enhanced sales activities, IT investment for increasing efficiency, etc.

As for dividends, interim, term-end, and annual dividends are estimated to be 20.00 yen/share, 20.00 yen/share, and 40.00 yen/share, respectively. Forecasted payout ratio is 40.2%.

4. Regarding the Mid-term Managerial Plan (FY 2017 to FY 2019)

The company produced the mid-term managerial plan of the corporate group for the coming 3 years till the term ending Mar. 2019, which is the last fiscal year of “EIKEN ROAD MAP 2009” and the 80th anniversary of the establishment of the company.

【Managerial goal】

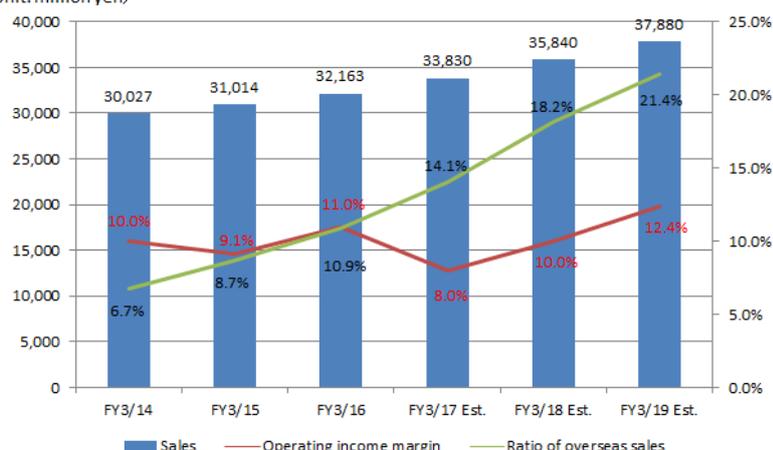
The company aims to accelerate the efforts for becoming a global enterprise “EIKEN,” contribute to the world with healthcare services, grow in a sustainable manner, and improve profitability steadily.

【Financial objectives】

(unit: million yen)

	FY 2017 (Estimate)	FY 2018 (Estimate)	FY 2019 (Estimate)
Sales	33,830	35,840	37,880
Overseas sales	4,760	6,520	8,120
Ratio of overseas sales	14.1%	18.2%	21.4%
Operating income	2,710	3,600	4,700
Operating income margin	8.0%	10.0%	12.4%
ROE	6.4%	8.4%	10.4%

(Unit: million yen)



The company aims to expand the ratio of overseas sales and improve profitability from the next term ending Mar. 2018.

Its growth strategies are (1) to expand the share of its products in the Japanese market, and (2) to accelerate global business expansion. As the investment for further growth, the company plans to (1) strengthen R&D and (2) develop a base for enhancing management efficiency.

<Growth Strategies>

① To expand the share of its products in the Japanese market

Basic policy	Steady growth for enriching the product lineup of Eiken
Intensive measures	<p>【Fecal immunochemical test】 Educational activities for promoting more people to undergo the test, and release of OTC reagents</p> <p>【Urinalysis test】 Cooperation with the manufacturer of urine sediment analyzing equipment, and release of competitive urine analyzers</p> <p>【POCT】 Acquisition of new introduction of Imuno-catch series</p> <p>【LZ test】 Popularization of stomach health evaluation (ABC grading) and intensive sale of related reagents</p> <p>【Antimicrobial susceptibility test】 Increase of new clients through the combined sale of “DPS192iX” and “MALDI Biotyper MF,” and sales promotion of the reagents for drug susceptibility tests</p> <p>【LAMP】 Increase of sales through the promotion of in-hospital use of LAMP reagents (tuberculosis complex, mycoplasma, and pertussis)</p> <p>Sale of chips and equipment for respiratory tract infection (plan for the quarter term ending Mar. 2019)</p>

② To accelerate global business expansion

Basic policy	Development of a business portfolio for mid-term stable growth
Intensive measures	<p>【Fecal immunochemical test】 Undertaking of the national screening for colorectal cancer, and cultivation of emerging markets National screening: the England, Australia, etc. Cultivation of emerging markets: ASEAN, India, the Middle East, South America</p> <p>【Urinalysis test】 Cooperation with Sysmex in the field of the qualitative test of urine</p> <p>【LZ test】 Promotion of LZ tests through the popularization of stomach health evaluation (ABC grading), etc.</p> <p>【LAMP】 Tests for tuberculosis, malaria, etc.</p>

<Investment for further growth>**① To improve R&D capacity**

Basic policy	<ul style="list-style-type: none"> •Promotion of the development of large-scale products through the creation and introduction of new technologies •Upgrading of products and expansion of the product lineup through the brushing up of existing technologies
Intensive measures	<ul style="list-style-type: none"> •Promotion of the development of next-generation compact fully-automatic gene testing equipment and multiple-item testing chips 【Applicable fields】 Infections, cancer, companion diagnostics, etc. •Pursuit for new biomarkers and technologies through the collaborative research among industry, government, and academia •Improvement of LZ tests, POCT (Imuno-catch series), etc., and enrichment of the lineup

② To develop a base for increasing management efficiency

Basic policy	<ul style="list-style-type: none"> •To enhance productivity and reduce manufacturing cost •To improve management efficiency through company-wide optimization
Intensive measures	<ul style="list-style-type: none"> •Nogi Plant Operation of a new production building for manufacturing more urinalysis test strips (Uropaper and Uropaper α) and reducing manufacturing cost considerably •Nasu Plant Establishment of a system for boosting output for expanding the global operation of fecal immunochemical tests and LZ tests. Twofold increase of OC. •Reform of the company-wide IT system

Other “basic policies” are to “refine core technologies,” “establish market supremacy,” “create new business and markets,” “form strategic tie-ups,” etc.

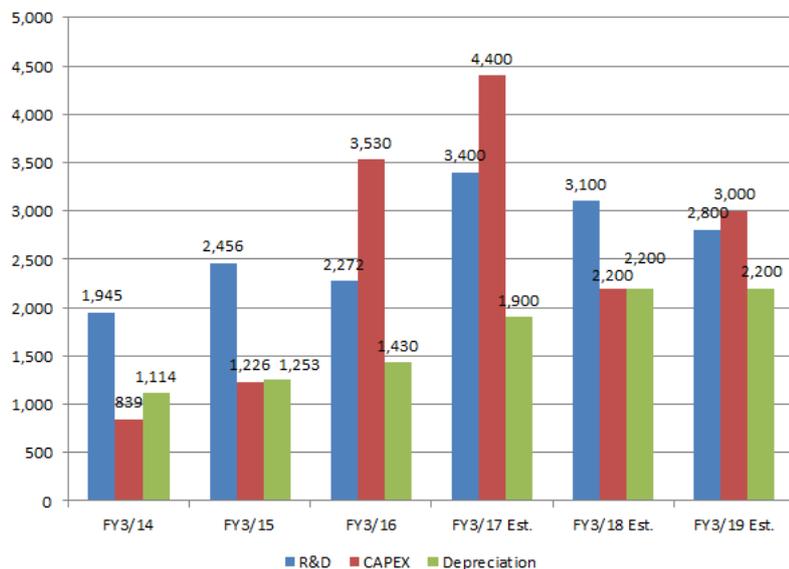
【Return to shareholders】

The company aims to pay dividends with a payout ratio of over 30%.

【R&D, capital investment, and depreciation】

R&D expenses and capital investment are estimated to reach a peak in the term ending Mar. 2017.

(Unit: million yen)



5. Interview with President Morifumi Wada

President Wada was interviewed about the points of the mid-term managerial plan (FY 2017 to FY 2019), issues to be tackled, etc.

“Inside and outside Japan, there is room for the expansion of the market for fecal immunochemical test reagents. We will start redeveloping a base for cultivating overseas markets.”

- The domestic sales of fecal immunochemical test reagents increased slightly by 1.7% compared to the previous year. According to the “basic survey on citizens’ lives” conducted in 2013, the ratio of people who have undergone the screening for colorectal cancer was 41.4% for males, and 34.5% for females. Meanwhile, the results of the survey carried out in 2007 indicate that the ratio was 27.5% for males, and 22.7% for females. Namely, the ratio has been increasing steadily.
- We engage in various educational activities as an official supporter of the NPO Brave Circle Committee, which implements a campaign for eradicating colorectal cancer, while considering that early detection is vital. It is expected that the Japanese market will grow steadily as the ratio of those who have undergone the screening for colorectal cancer will increase.
- On the other hand, overseas markets are estimated to show a double-digit annual growth. It is expected that screening methods will shift from “chemical methods,” which are now common outside Japan, to Eiken’s “immunological methods,” which can produce more accurate results; and that the target age will be decreased, in response to the augmentation of colorectal cancer patients around the world. We will recruit more employees in the huge markets of the U.S.A. and Germany, and promote global business operation more actively also in emerging countries. We also plan to boost the sales of products other than fecal immunochemical test reagents.
- In order to fortify the “EIKEN” brand in overseas market, it is essential to redevelop sales channels and systems outside Japan. In detail, we will review distributors, and cement the relationships with distributors with which we could share business plans in a strategic manner. As we have footholds in Europe only, it plans to build new footholds in the U.S.A., etc. for more efficient and effective business operation.

“Under the corporate culture in which freewheeling ideas are emphasized, core technologies will be brushed up further. We will also try to create new business and markets.”

- The characteristics of our R&D systems include “out-of-the-box thinking” and “emphasis on freewheeling ideas.”

- The development of fecal immunochemical test reagents, which is now our mainstay, did not originate from a top-down plan, but a bottom-up suggestion from R&D workers.
- In the long history of Eiken, the ethos of “pursuing better products” took root. In such corporate culture, we will try to brush up core technologies further and create new business and markets.
- The details of new business and markets are still to be revealed. It is necessary to develop business based on the mindset of pursuing and emphasizing the convenience and needs of users, rather than the mindset of creating each test while prioritizing the manufacturer’s policy. For example, amid the trend of medical cost reduction, we plan to develop a system in which citizens can take various tests readily and efficiently, with the keyword “self-medication.” In addition, we plan to cooperate with pharmaceutical companies.

“We concentrate on the development of a base for becoming an enterprise that can earn profit stably.”

- In the previous term, ROE was less than 10%. Operating income margin was 11.0%, which is not low, but still inferior to those of competitors.
- It is considered that we need to create a corporate structure for producing profit stably as a listed company, and it is essential to develop a base for it.
- To do so, it is insufficient to increase core products, but it is indispensable to achieve not only high quality, but also cost and speed that can satisfy customers, in product development. We also need to improve business processes and curb equipment cost.
- In this mid-term managerial plan, high-level R&D and capital investment are scheduled. The investment is indispensable for developing a base, and so profit is estimated to decline in this term. We hope that shareholders and other investors will understand that this is for establishing a stable earning system.

6. Conclusions

Overseas sales are expanding. In the previous term, the start of national screening in England was delayed, but the commencement in France and Spain contributed significantly. The mid-term managerial plan set the target ratio of overseas sales for the term ending Mar. 2019 at 21.4%, which indicates a two-fold increase from the previous term. As mentioned in the section of the interview with the president, the progress of fecal immunochemical test introduction in the U.S.A. and Germany, which have huge markets, is expected.

Due to the investment for developing a stable revenue structure, profit is estimated to decline this term, but we would like to pay attention to the future path of growth from the mid-term viewpoint.

<Reference: New Management Framework “EIKEN WAY” and “EIKEN ROAD MAP 2009”>

EIKEN CHEMICAL set a goal for 2018, the company’s 80th anniversary year, and established “EIKEN WAY” and “EIKEN ROAD MAP 2009” in March 2009, as a fundamental policy to promote “winning management.”

【Background】

In Japan, the trend of medical system reform to reduce medical costs will remain unchanged. The corporations in the clinical diagnostics industry are forced to enhance efficiency and streamline their business as a result of revision of medical fees and intensification of products and price competition.

Furthermore, securing safety and compliance with laws and ordinances are becoming increasingly important management challenges. As a result, the gap between corporations is expected to be larger.

Under these circumstances, in order to achieve steady growth and sustainable enhancement of corporate values, EIKEN CHEMICAL recognizes that it is essential to clarify the goal of EIKEN group, optimize the efficiency of management resources, and implement the strategies to utilize environmental changes with new visions more quickly and boldly.

Based on this recognition, it established the “EIKEN WAY” as a plan to practice solid management and the “EIKEN ROADMAP 2009” as basic principles to promote “winning management” with long term goals.

【Overview】

1. Business domain

EIKEN CHEMICAL set the “clinical diagnostics business” and “food and environment testing business” among healthcare businesses as their main business domains for which they can utilize the technologies and strengths owned by the EIKEN Group to achieve steady growth and increase in profitability. Furthermore, in these domains, they are aiming at creating new businesses for future growth.

2. EIKEN ROAD MAP 2009 Grand Vision

We will transform EIKEN into a global corporation by 2018 that can leverage expertise as a medical testing pioneer to protect the health of the public.

3. EIKEN ROAD MAP 2009 Principles of Action

- (1) To be proud of and responsible for protecting health of people in the world.
- (2) To enhance trust from stakeholders.
- (3) To pursue highly unique innovative technologies.
- (4) To create top share products that we can be proud of.
- (5) To challenge every possibility and try to achieve self-transformation.
- (6) To always take action with global thinking.
- (7) To act for total optimization.

4. Fundamental policy

(1) Increase the market share of EIKEN products in Japan	Adopt the customers' perspective to improve products and services in every possible way. Achieve consistent growth by enlarging the lineup of core products and becoming more competitive.
(2) Expand global operations	To firmly establish the EIKEN brand outside Japan, rebuild the overseas sales infrastructure and network and steadily expand geographic coverage, extending from the U.S. and Europe to emerging markets.
(3) Further upgrade core technologies	Create and expand new sources of demand by leveraging innovative ideas, advanced technologies and other core EIKEN strengths. Accept the challenge of supplying products that exceed customers' expectations through the relentless pursuit of advances in performance and quality.

(4) Improve productivity	As a manufacturer, aim for constant improvements in productivity in all work processes, extending from R&D to manufacturing and sales.
(5) Establish market superiority	Channel resources to market sectors where EIKEN is most competitive and the development of strategic value-added products. The goals are to earn the highest possible returns on capital and achieve market superiority.
(6) Launch new businesses and create new markets	As a pioneer in medical testing, create new businesses and markets by drawing on new and highly specialized technologies. Seek business opportunities of all kinds in order to quickly launch new businesses that can drive the next phase of growth.
(7) Forge strategic alliances	Forge strategic alliances with partners that can produce synergies, such as by reinforcing existing strengths, providing complementary functions and acquiring new technologies.
(8) Enhance the corporate brand	Improve the quality of human resources and the company in order to build a base of operations for transforming EIKEN into a global organization.

5. Management goal

To become one of the global medical testing corporations in the future, we will strive to steadily enhance profitability while creating solid business foundation. Our goal for the time being is to maintain over 10% of overseas sales ratio and over 10% of consolidated sales profit margin.

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