

## Interim Financial Flash Report for the Fiscal Year Ending March 31, 2008

October 25, 2007

Company name: EIKEN CHEMICAL CO., LTD.

Listing: TSE, First Section

Securities Code: 4549

URL: <http://www.eiken.co.jp/en/>

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Scheduled date of filing of Semiannual Report: December 20, 2007

Scheduled date of dividends payment: December 4, 2007

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Performance for the Interim Period Ended September 30, 2007 (Apr. 1, 2007 – Sep. 30, 2007)

(1) Consolidated operating results (Percentage figures indicate year-over-year rates of change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Interim ended Sep. 2007	13,079	2.9	1,421	(0.1)	1,462	(2.1)	598	(32.2)
Interim ended Sep. 2006	12,710	2.3	1,422	7.4	1,493	6.1	882	24.8
Year ended Mar. 2007	24,650	-	1,817	-	1,934	-	1,080	-

	Net income per share	Diluted net income per share
	Yen	Yen
Interim ended Sep. 2007	30.47	30.44
Interim ended Sep. 2006	37.24	-
Year ended Mar. 2007	46.57	-

Reference: Investment profit or loss on equity method (million yen): Sep. 2007: - Sep. 2006: - Mar. 2007: -

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2007	27,335	18,065	66.1	918.87
As of Sep. 30, 2006	30,944	22,789	73.6	961.47
As of Mar. 31, 2007	25,436	17,576	69.1	894.43

Reference: Shareholders' equity (million yen): Sep. 2007: 18,056 Sep. 2006: 22,789 Mar. 2007: 17,576

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Interim ended Sep. 2007	(202)	(294)	(196)	4,444
Interim ended Sep. 2006	1,152	(312)	(189)	9,167
Year ended Mar. 2007	2,526	(460)	(5,629)	4,952

## 2. Dividends

(Record date)	Dividend per share				
	First quarter	Interim	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 2007	-	8.00	-	10.00	18.00
Year ending Mar. 2008	-	10.00	-	-	20.00
Year ending Mar. 2008 (forecast)	-	-	-	10.00	-

### 3. Projected Consolidated Performance for the Year Ending March 31, 2008 (Apr. 1, 2007 – Mar. 31, 2008)

(Percentage figures indicate year-over-year rates of change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	25,000	1.4	2,070	13.9	1,875	(3.1)	1,801	66.7	91.65

#### 4. Others

(1) Changes in consolidated subsidiaries (changes in scope of consolidation): Yes

Newly added: 1 (EIKEN SHANGHAI CO., LTD.)

Note: Please refer to “Corporate Group” on page 7 for further information.

(2) Changes in accounting principles, procedures and presentation methods for preparation of interim consolidated financial statements

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

(3) Number of shares outstanding at the end of the period (common shares)

1) Outstanding shares (including treasury stock)

Sep. 2007: 23,770,719 shares      Sep. 2006: 23,770,719 shares      Mar. 2007: 23,770,719 shares

2) Treasury stock

Sep. 2007: 4,119,511 shares      Sep. 2006: 68,168 shares      Mar. 2007: 4,119,250 shares

#### (Reference) Non-consolidated Financial Summaries

##### 1. Non-consolidated Performance for the Interim Period Ended September 30, 2007 (Apr. 1, 2007 – Sep. 30, 2007)

(1) Non-consolidated operating results (Percentage figures indicate year-over-year rates of change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Interim ended Sep. 2007	13,079	18.1	1,422	7.1	1,458	4.1	648	(21.9)
Interim ended Sep. 2006	11,071	3.1	1,328	10.9	1,401	9.1	830	28.1
Year ended Mar. 2007	21,494	-	1,785	-	1,899	-	1,080	-

	Net income per share
	Yen
Interim ended Sep. 2007	33.01
Interim ended Sep. 2006	35.02
Year ended Mar. 2007	46.58

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2007	27,123	17,942	66.1	912.63
As of Sep. 30, 2006	29,832	22,689	76.1	957.26
As of Mar. 31, 2007	24,510	17,529	71.5	892.03

Reference: Shareholders' equity (million yen): Sep. 2007: 17,934      Sep. 2006: 22,689      Mar. 2007: 17,529

##### 2. Projected Non-consolidated Performance for the Fiscal Year Ending March 31, 2008

(Apr. 1, 2007 – Mar. 31, 2008)

(Percentage figures indicate year-over-year rates of change)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	25,000	16.3	2,083	16.6	2,092	10.1	2,018	86.7	102.69

#### \* Cautionary statement with respect to forward-looking statements

1. These materials contain forward-looking statements and statements of this nature based on reasonable judgments in accordance with information currently available. Readers should be aware that actual results and events might differ substantially from these projections. For discussion of the assumptions and other factors considered by the Company in preparing the above projections, please refer to page 3 in the section “1. Operating Results, (1) Analysis of operating results.”

2. Projected consolidated performance for the fiscal year announced on July 26, 2007 was revised based on the current outlook. No revisions to projected non-consolidated performance for the fiscal year announced on the same day. For more information concerning the forecast revisions, please refer to the section on page 3 titled “1. Operating Results, (1) Analysis of operating results, Outlook for the fiscal year ending March 31, 2008.”

## **1. Operating Results**

### **(1) Analysis of operating results**

During the first half of the fiscal year, the gradual recovery of the Japanese economy continued as strong corporate earnings supported growth in capital expenditures and an improvement in employment levels. However, there are concerns about the outlook for the operating environment because of the much higher cost of crude oil and other basic materials and the drop in stock prices triggered by weakness in U.S. financial markets.

In the clinical diagnostic reagents market, the operating environment remained challenging. The number of tests is climbing, but ongoing measures by the Japanese government to hold down healthcare costs are leading to more intense competition, including greater price-based competition.

To increase sales in this environment, the Group worked on increasing sales of mainstay products in Japan and of new products. Other actions targeted growth in sales outside Japan.

As a result, consolidated net sales increased 2.9% year-over-year to 13,079 million yen in the current interim period.

Sales growth continued in many product categories. Sales of OC-Hemodia, a diagnostic reagent to detect fecal occult blood, increased 4.9%; sales of the newly introduced OC-SENSOR DIANA, an automated fecal occult blood analyzer, contributed to growth; sales of Uropaper, a urinalysis test strip sold jointly with Otsuka Pharmaceutical Co., Ltd., increased 18.3%; and sales of medical devices and associated diagnostic reagents purchased from Tosoh Corporation increased 17.1%. However, total first half sales declined because of a 10.7% decrease in sales of diagnostic reagents for biomedical testing, a 2.7% decrease in sales of microbiological reagents, and the negative impact of price declines and intense competition with other companies.

In the culture media related to the equipments, and food and environment sector, sales decreased 2.1% to 1,420 million yen because of more intense price-based competition among manufacturers.

Overseas sales increased 4.7% to 449 million yen. Although sales of urinalysis test strips were lower in Asia, there was continued growth in sales of diagnostic reagents for fecal occult blood, particularly in Europe.

Regarding expenses, many actions were taken to reduce the cost of sales. One step was the April 1, 2007 merger with EIKEN KIZAI CO., LTD. with the aim of using resources more efficiently and raising the efficiency of manufacturing activities. However, benefits were offset by growth in sales of purchased products and devices, which have a relatively high cost rate, and by a decline in sales prices. The result was a 2.2 percentage point increase in the cost of sales ratio.

Measures to use selling, general and administrative expenses more efficiently limited declines in earnings. First half operating income decreased 0.1% to 1,421 million yen and ordinary income decreased 2.1% to 1,462 million yen. There was an extraordinary loss of 486 million yen. This included a final directors' retirement allowance payment of 408 million yen due to the termination of the company's retirement system for directors. The result was a 32.2% decrease in net income to 598 million yen.

### **Outlook for the fiscal year ending March 31, 2008**

In the clinical diagnostics reagent market, full-scale M&A between Japanese and foreign companies is starting. The resulting declines in prices and more intense competition is creating the need for companies to become even more efficient and further streamline their operations.

The Group plans to increase sales through a number of initiatives. Plans call for using the OC-Hemodia series of fecal occult blood diagnostic reagents and Uropaper, urinalysis test strips to capture a greater share of these two markets in Japan. The Group also plans to begin generating substantial sales of microbiological reagents. Sales growth is also expected from measures to boost sales of major products outside Japan.

In China, EIKEN SHANGHAI CO., LTD. has pushed back the full-scale start of operations to February 2008. As a result, this company will be a source of only expenses, with no accompanying sales, in the current fiscal year. These expenses, which mainly represent amortization of start-up expenses, are being recognized as a non-operating expense.

To reflect this change, we announced revised consolidated forecasts for the fiscal year on July 26, 2007.

Due to these factors, we forecast consolidated net sales of 25,000 million yen (up 1.4% year-over-year), operating income of 2,070 million yen (up 13.9%) and ordinary income of 1,875 million yen (down 3.1%) in the fiscal year ending March 31, 2008. After the inclusion of extraordinary income of about 1,569 million yen from the sale of our head office building and the site, we expect that net income will increase 66.7% to 1,801 million yen.

Revisions to consolidated forecasts for fiscal year

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Previous forecast (A) (July 26, 2007)	25,000	1,967	1,976	1,902
Revised forecast (B)	25,000	2,070	1,875	1,801
Change (B - A)	-	103	(101)	(101)
Percentage change (%)	-	5.2	(5.1)	(5.3)
Previous fiscal year (ended March 31, 2007)	24,650	1,817	1,934	1,080

## (2) Analysis of financial condition

Balance sheet figures include figures at the beginning of the fiscal year for EIKEN SHANGHAI CO., LTD., which was newly consolidated in the first half of this fiscal year. Consolidated cash and cash equivalents decreased 507 million yen to 4,444 million yen as of September 30, 2007.

The following is a summary of cash flows for the interim period under review.

### Cash flows from operating activities

Net cash used for operating activities was 202 million yen. Major factors were a decrease (down 33.8%) in income before income taxes and other adjustments to 976 million yen, and an increase in trade receivables of 2,096 million yen due to decrease in liquidations.

Depreciation and amortization totaled 377 million yen.

### Cash flows from investing activities

Net cash used for investing activities was 294 million yen. The primary use of cash was capital investment in production facilities, which totaled 272 million yen.

### Cash flows from financing activities

Net cash used for financing activities was 196 million yen. There were payments of 196 million yen for dividends paid by the parent company.

### Cash flow indicators

	Year ended Mar. 2004	Year ended Mar. 2005	Year ended Mar. 2006	Year ended Mar. 2007	Interim ended Sep. 2007
Equity ratio (%)	73.3	75.1	74.7	69.1	66.1
Market value-based equity ratio (%)	91.8	110.0	103.2	101.0	75.3
Interest-bearing debt to cash flow ratio (years)	0.1	0.2	0.3	0.1	-
Interest coverage ratio	2,126.5	911.8	684.1	1,418.1	-

Equity ratio: Shareholders' equity/Total assets

Market value-based equity ratio: Total market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt /Cash flows (double that of the interim period)

Interest coverage ratio: Cash flows/Interest payment

Notes: 1. All of the above indicators are calculated for the respective values on a consolidated basis.

2. "Total market capitalization" are calculated based on the number of shares outstanding (excluding treasury stock)

3. Operating cash flow is used for "Cash flow."

4. "Interest-bearing debt" indicate the liabilities for which interest is paid on all the liabilities posted in the consolidated balance sheets.

5. There are no figures for "Interest-bearing debt to cash flow ratio" and "Interest coverage ratio" because we had negative operating cash flows.

### **(3) Fundamental policy for distribution of earnings and dividends for the current and the next fiscal years**

The Company positions the return of earnings to shareholders as one of its highest management priorities. The fundamental policy is to pay a stable dividend while retaining sufficient earnings to create a sounder financial position and support the expansion of business operations.

Based on this policy, the Company has established the target of maintaining a consolidated dividend payout ratio of at least 30%.

The Company plans to pay an interim dividend of 10 yen per share. For the fiscal year ending March 31, 2008, the Company plans to pay a year-end dividend of 10 yen per share, resulting in an annual dividend of 20 yen per share.

### **(4) Business risk**

The following is a list of the primary risks that may affect the Group's financial condition and results of operations.

#### **1) Measures to hold down healthcare expenses**

Sales prices in the pharmaceuticals and clinical diagnostic reagent industries are affected by revisions to medical service fees under the provisions of the Health Insurance Law. In recent years, the Japanese government has enacted major revisions to the country's healthcare system while consistently lowering drug prices and testing fees, two elements of fees paid for medical services. The enactment of more initiatives to hold down healthcare expenses in Japan may have a negative impact on the Group's financial condition and results of operations.

#### **2) Competition to develop and sell products**

Due to technological progress, there is intense competition to develop new pharmaceuticals and clinical diagnostic reagents. Companies are competing to develop and sell both original and generic products. Depending on the outcome of this competition, there may be a negative impact on the Group's financial condition and results of operations.

#### **3) Quality problems**

The Group manufactures products under strict quality management standards prescribed by the Pharmaceutical Affairs law and GMP (the Good Manufacturing Practice standards for pharmaceutical manufacturing and quality management). Nevertheless, there is no assurance that these activities will prevent all problems involving product quality. If there is a significant incident involving product quality, there may be a negative impact on the Group's financial condition and results of operations due to a decline in sales, increase in expenses or other effect on operations.

#### **4) Significant litigation**

In conjunction with its business activities in Japan and other countries, the Group may be the target of litigation involving product liability, labor relations, intellectual property, commercial activities, and other matters. Such litigation may have a negative impact on the Group's financial condition and results of operations.

#### **5) Personal information**

In the course of its business activities, the Group acquires a variety of personal information. The Group strictly complies with the Personal Information Protection Law, which was enacted in April 2005, and associated rules and regulations. The Group also has an effective administrative framework to prevent the improper use of this information. Despite these actions, there is still a possibility of a leak of personal information due to an unforeseen event. Liability payments and the loss of public trust resulting from a leak may have a negative impact on the Group's financial condition and results of operations.

## **6) Natural disasters and accidents**

Factories and other business facilities of the Group may be forced to suspend or reduce operations due to damage caused by a major typhoon, earthquake or other natural disaster, a serious accident involving workers, an equipment malfunction, or some other incident. Such events may have a negative impact on the Group's financial condition and results of operations.

## **7) Overseas operations**

The Group conducts extensive sales activities in North America, Europe, and Asia. In September 2004, the Group established a subsidiary in China that will manufacture and sell diagnostic reagents. These overseas operations are vulnerable to unexpected revisions in laws and regulations; unfavorable political and economic developments; foreign exchange rate volatility; wars, terrorism and social unrest; infectious diseases; and other socially disruptive events. Such events may have a negative impact on the Group's financial condition and results of operations.

## **8) Intellectual property**

The Group's products are protected by patents, utility model rights, and other rights that expire after a certain period of time. The Group carefully manages these intellectual properties and constantly checks for infringements by other companies on the Group's intellectual property as well as infringements by the Group's products on third-party intellectual property. However, an intellectual property infringement by the Group or a third-party infringement on Group intellectual property may have a negative impact on the Group's financial condition and results of operations.

There are many risks other than those listed above that may have a negative impact on the Group's financial condition and results of operations at present or in the future. The above risks represent only items that the Group believes are potentially significant at the end of the current interim period. This is not a complete list of risks that may affect the Group.

## 2. Corporate Group

The EIKEN Group consists of the Company (EIKEN CHEMICAL CO., LTD.), a consolidated subsidiary (EIKEN SHANGHAI CO., LTD.) and a non-consolidated subsidiary (EIKEN MILLION STAFF CO., LTD.). Group companies are primarily engaged in the manufacture and sales of diagnostic reagents.

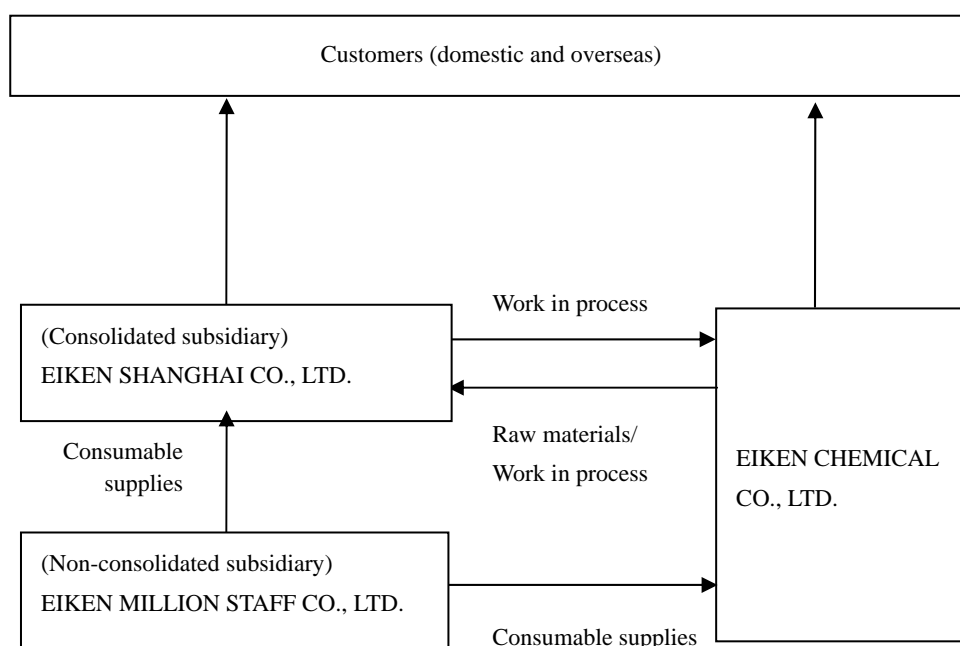
The Company merged with EIKEN KIZAI CO., LTD., which was a consolidated subsidiary, on April 1, 2007. As a result, this company is included in the non-consolidated financial statements beginning with the first half of this fiscal year. In addition, EIKEN SHANGHAI CO., LTD., which was a non-consolidated subsidiary, became a consolidated subsidiary due to its greater effect on the consolidated financial statements.

In previous fiscal years, operating results included sales and earnings for the “Equipment and miscellaneous products division.” However, this division has become less than 10% of net sales, operating income and assets for all business segments. Furthermore, the integration of business units associated with the merger with EIKEN KIZAI CO., LTD. resulted in the shift of part of this division’s operations to the diagnostic reagent business. Due to these changes, we are no longer reporting results for this division beginning with the first half of this fiscal year.

EIKEN SHANGHAI CO., LTD. will be engaged primarily in the manufacture and sales of diagnostic reagents. Non-consolidated subsidiary EIKEN MILLION STAFF CO., LTD. is primarily engaged in non-life insurance sales as well as the purchase and sales of OA equipment-related products.

The following diagram shows the relationships of the respective businesses.

[Business Schematic Diagram]



Note: Business transactions with EIKEN SHANGHAI CO., LTD. show activities that are to begin after this company starts operations.

### **3. Management Policy**

#### **(1) Basic management policy**

The basic philosophy of the EIKEN Group is to contribute to good health and medical care by making testing more widespread and advanced. The Group accomplishes this objective by supplying customers with outstanding products, technologies, information, and other forms of support. In accordance with this philosophy, our actions will be guided by the slogan “EIKEN – Reliable quality and advanced technologies.” We are dedicated to using this stance to increase corporate value, contribute to the prosperity of customers and business partners, and fulfill our obligations to shareholders.

#### **(2) Targeted management indicators**

Even in the current severe market environment, the Company aims to quickly raise the full-year operating margin to at least 10% by emphasizing profitability. The operating margin was 8.5% in the fiscal year ended March 31, 2006 and 7.4% in the fiscal year ended March 31, 2007.

#### **(3) Medium- and long-term management strategies**

Our goal is to become more profitable and differentiate itself from competitors in order to continue growing as a leader in the clinical diagnostic reagents market.

##### 1) Improve customer satisfaction

Put “Quality First” by adopting the customers’ perspective and offer products and services at even more competitive prices.

##### 2) Establish a profitable operating framework

Aim for a “Highly Profitable Operating Framework” in which everyone is constantly focused on expenses.

##### 3) Internationalization

Achieve growth by “Developing Overseas Markets.”

##### 4) Reinforce R&D technology

Refine technological skills to develop original products that offer even higher levels of “Quality” and “Added Value.”

##### 5) Compliance with laws and regulations

Comply with all applicable “Laws and Regulations” and conduct business operations properly.

##### 6) Nurture and utilize human resources

“Establish an Education and Training System” to foster the development of human resources.

#### **(4) Important issues**

The following is a list of issues involving the specific actions needed to execute the above medium- and long-term management strategies.

##### 1) Rigorous company-wide quality management and accountability for quality at each work site

##### 2) Further reductions in the cost of sales (lower the cost of manufacturing, joint procurement of raw materials)

##### 3) Pursue synergies from the merger with EIKEN KIZAI (particularly regarding the strengthening and optimization of manufacturing and sales activities)

##### 4) Deepen sales alliances with other companies

##### 5) Use EIKEN SHANGHAI to become more “Globally Competitive.”

##### 6) Generate benefits from joint development programs with Hitachi High-Technologies Corporation and Otsuka Pharmaceutical Co., Ltd. and the joint development program with The Foundation for Innovative New Diagnostics (FIND, a non-profit organization for the development of innovative testing methods for use in developing countries)

7) Reinforce internal control systems and maintain a strict compliance program

8) Foster the development of human resources through education and training programs and on-the-job training, and assign the right people to the right jobs.

**(5) Other important management matters**

Not applicable.

#### 4. Interim Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(Millions of yen, %)

Item	Note	Previous interim period (As of Sep. 30, 2006)		Current interim period (As of Sep. 30, 2007)		Change Amount	Previous fiscal year (As of Mar. 31, 2007)		
		Amount	%	Amount	%		Amount	%	
Assets									
I Current assets									
1. Cash and bank deposits	*2	9,167		4,444			4,952		
2. Notes and accounts receivable		7,099		8,322			6,225		
3. Marketable securities		5		0			2		
4. Inventories		4,631		4,772			4,955		
5. Deferred tax assets		344		374			370		
6. Other current assets		1,181		798			261		
7. Allowance for doubtful accounts		(12)		(55)			(10)		
Total current assets		22,417	72.4	18,657	68.3	(3,759)	16,757	65.9	
II Fixed assets									
1. Tangible fixed assets									
(1) Buildings and structures		11,960		12,664			12,025		
Accumulated depreciation		8,395	3,564	8,690	3,973		8,529	3,496	
(2) Machinery, equipment and vehicles		5,456		4,918			4,807		
Accumulated depreciation		4,733	722	4,185	732		4,157	650	
(3) Tools, furniture and fixtures		3,133		2,853			3,071		
Accumulated depreciation		2,696	436	2,417	435		2,601	469	
(4) Land		1,246		1,210			1,210		
(5) Construction in progress		-		5			10		
Total tangible fixed assets		5,970	19.3	6,358	23.3	387	5,837	23.0	
2. Intangible fixed assets		329	1.1	467	1.7	138	287	1.1	
3. Investments and other assets									
(1) Investment securities		394		325			425		
(2) Deferred taxed assets		2		-			4		
(3) Other		1,866		1,416			2,132		
(4) Allowance for doubtful accounts		(36)		(9)			(9)		
Total investments and other assets		2,227	7.2	1,732	6.3	(495)	2,553	10.0	
Total fixed assets		8,526	27.6	8,557	31.3	30	8,678	34.1	
III Deferred assets									
Total assets		30,944	100.0	27,335	100.0	(3,609)	25,436	100.0	

(Millions of yen, %)

Item	Note	Previous interim period (As of Sep. 30, 2006)		Current interim period (As of Sep. 30, 2007)		Change	Previous fiscal year (As of Mar. 31, 2007)		
		Amount	%	Amount	%	Amount	Amount	%	
<b>Liabilities</b>									
<b>I Current liabilities</b>									
1. Notes and accounts payable	*2	4,357		4,986			4,711		
2. Accrued income taxes		521		528			285		
3. Reserve for bonuses		617		655			614		
4. Allowance for returned goods		9		7			10		
5. Other current liabilities		2,087		2,214			1,649		
Total current liabilities		7,592	24.6	8,391	30.7	799	7,270	28.6	
<b>II Fixed liabilities</b>									
1. Deferred tax liabilities		296		210			347		
2. Reserve for retirement benefits		19		-			23		
3. Long-term accounts payable		-		408			-		
4. Other fixed liabilities		246		259			218		
Total fixed liabilities		562	1.8	878	3.2	315	589	2.3	
Total liabilities		8,155	26.4	9,269	33.9	1,114	7,859	30.9	
<b>Net assets</b>									
<b>I Shareholders' equity</b>									
1. Capital stock		6,897	22.3	6,897	25.2	-	6,897	27.1	
2. Capital surplus		8,586	27.7	8,586	31.4	(0)	8,586	33.8	
3. Retained earnings		7,264	23.5	7,675	28.1	410	7,272	28.6	
4. Treasury stock		(78)	(0.3)	(5,328)	(19.5)	(5,250)	(5,328)	(21.0)	
Total shareholders' equity		22,670	73.2	17,830	65.2	(4,839)	17,428	68.5	
<b>II Valuation and translation adjustments</b>									
1. Unrealized holding gain (loss) on other securities		118	0.4	100	0.4	(17)	148	0.6	
2. Foreign currency translation adjustment		-	-	125	0.5	125	-	-	
Total valuation and translation adjustments		118	0.4	226	0.9	107	148	0.6	
<b>III Stock acquisition rights</b>									
Total net assets		22,789	73.6	18,065	66.1	(4,723)	17,576	69.1	
Total liabilities and net assets		30,944	100.0	27,335	100.0	(3,609)	25,436	100.0	

**(2) Consolidated Statements of Income**

(Millions of yen, %)

Item	Note	Previous interim period (Apr. 1, 2006 – Sep. 30, 2006)		Current interim period (Apr. 1, 2007 – Sep. 30, 2007)		Change Amount	Previous fiscal year (Apr. 1, 2006 – Mar. 31, 2007)	
		Amount	%	Amount	%		Amount	%
I Net sales		12,710	100.0	13,079	100.0	368	24,650	100.0
II Cost of sales		6,743	53.1	7,237	55.3	493	13,442	54.5
Gross profit		5,966	46.9	5,841	44.7	(124)	11,207	45.5
Reversal of allowance for returned goods		8		10			8	
Provision for allowance for returned goods		9		7			10	
Adjusted gross profit		5,965	46.9	5,845	44.7	(120)	11,205	45.5
III Selling, general and administrative expenses	*1	4,543	35.7	4,423	33.8	(119)	9,387	38.1
Operating income		1,422	11.2	1,421	10.9	(1)	1,817	7.4
IV Non-operating income								
1. Interest income		0		1			0	
2. Dividend income		3		33			4	
3. Insurance received and dividend		-		5			-	
4. Research subsidies		60		-			93	
5. Other		19	83	18	59	(24)	46	144
Operating income			0.6		0.5			0.6
V Non-operating expenses								
1. Interest expense		0		0			1	
2. Commitment fee		1		1			3	
3. Loss on credits sold		4		6			8	
4. Loss on cancellation of directors' life insurance		-		7			-	
5. Cost for reduction in investment unit		4		-			4	
6. Fees from purchase of treasury stock		-		-			4	
7. Other		1	13	0	18	5	3	27
Operating income			0.1		0.2			0.1
Ordinary income		1,493	11.7	1,462	11.2	(30)	1,934	7.9
VI Extraordinary income								
1. Gain on sales of fixed assets	*2	3		-			19	
2. Gain on sales of investment securities		-		-			110	
3. Insurance received and dividends		-		-			33	
4. Other		-	3	-	-	(3)	1	165
Operating income			0.0		-			0.7

(Millions of yen, %)

Item	Note	Previous interim period (Apr. 1, 2006 – Sep. 30, 2006)		Current interim period (Apr. 1, 2007 – Sep. 30, 2007)		Change Amount	Previous fiscal year (Apr. 1, 2006 – Mar. 31, 2007)				
		Amount	%	Amount	%		Amount	%			
VII Extraordinary loss											
1. Loss on sales and retirement of fixed assets	*3	2		18			34				
2. Final directors' retirement allowance payment	*4	-		408			-				
3. Directors' retirement allowances		20		-			33				
4. Loss on valuation of investment securities		-		21			-				
5. Provision for allowance for doubtful accounts		-		38			-				
6. Loss on disposal of inventories		-		-			12				
7. Loss on valuation of inventories		-		-			107				
8. Expenses for land purification		-		-			7				
9. Prior-year purchase price adjustment		-		-			40				
10. Other		-	22	-	486	3.7	463	47	283	1.2	
Income before income taxes and other adjustments			1,473		976	7.5	(497)		1,816	7.4	
Income taxes-current		474		481			616				
Income taxes-deferred		116	590	4.7	(103)	377	2.9	(213)	118	735	3.0
Net income			882	6.9		598	4.6	(283)		1,080	4.4

### (3) Consolidated Statements of Changes in Shareholders' Equity

Previous interim period (Apr. 1, 2006 – Sep. 30, 2006)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	6,897	8,586	6,571	(78)	21,977
Changes in the current period					
Dividend of surplus (Note)			(189)		(189)
Net income			882		882
Purchases of treasury stock				(0)	(0)
Disposal of treasury stock		0		0	0
Changes (net) in items other than shareholders' equity					
Total changes in the current period	-	0	693	(0)	692
Balance as of September 30, 2006	6,897	8,586	7,264	(78)	22,670

	Valuation and translation adjustments	Total net assets
	Unrealized holding gain (loss) on other securities	
Balance as of March 31, 2006	133	22,111
Changes in the current period		
Dividend of surplus (Note)		(189)
Net income		882
Purchases of treasury stock		(0)
Disposal of treasury stock		0
Changes (net) in items other than shareholders' equity	(14)	(14)
Total changes in the current period	(14)	678
Balance as of September 30, 2006	118	22,789

Note: Appropriation of earnings resolved at the Board of Directors meeting on April 27, 2006

Current interim period (Apr. 1, 2007 – Sep. 30, 2007)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	6,897	8,586	7,272	(5,328)	17,428
Changes in the current period					
Dividend of surplus			(196)		(196)
Net income			598		598
Purchases of treasury stock				(0)	(0)
Disposal of treasury stock		(0)			(0)
Changes (net) in items other than shareholders' equity					
Total changes in the current period	-	(0)	402	(0)	401
Balance as of September 30, 2007	6,897	8,586	7,675	(5,328)	17,830

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Unrealized holding gain (loss) on other securities	Foreign currency translation adjustment	Total valuation and translation adjustments		
Balance as of March 31, 2007	148	-	148	-	17,576
Changes in the current period					
Dividend of surplus					(196)
Net income					598
Purchases of treasury stock					(0)
Disposal of treasury stock					(0)
Changes (net) in items other than shareholders' equity	(47)	125	78	8	86
Total changes in the current period	(47)	125	78	8	488
Balance as of September 30, 2007	100	125	226	8	18,065

Previous fiscal year (Apr. 1, 2006 – Mar. 31, 2007)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	6,897	8,586	6,571	(78)	21,977
Changes in the current fiscal year					
Dividend of surplus			(379)		(379)
Net income			1,080		1,080
Purchases of treasury stock				(5,250)	(5,250)
Disposal of treasury stock		0		0	0
Changes (net) in items other than shareholders' equity					
Total changes in the current fiscal year	-	0	701	(5,250)	(4,548)
Balance as of March 31, 2007	6,897	8,586	7,272	(5,328)	17,428

	Valuation and translation adjustments	Total net assets
	Unrealized holding gain (loss) on other securities	
Balance as of March 31, 2006	133	22,111
Changes in the current fiscal year		
Dividend of surplus		(379)
Net income		1,080
Purchases of treasury stock		(5,250)
Disposal of treasury stock		0
Changes (net) in items other than shareholders' equity	14	14
Total changes in the current fiscal year	14	(4,534)
Balance as of March 31, 2007	148	17,576

**(4) Consolidated Statements of Cash Flows***(Millions of yen)*

		Previous interim period (Apr. 1, 2006 – Sep. 30, 2006)	Current interim period (Apr. 1, 2007 – Sep. 30, 2007)	Previous fiscal year (Apr. 1, 2006 – Mar. 31, 2007)
Item	Note	Amount	Amount	Amount
<b>I Cash flows from operating activities</b>				
Income before income taxes and other adjustments		1,473	976	1,816
Depreciation and amortization		344	377	721
Increase (decrease) in allowance for doubtful accounts		10	44	(18)
Increase (decrease) in allowance for returned goods		1	(3)	2
Increase (decrease) in reserve for bonuses		1	40	(1)
Increase (decrease) in reserve for retirement benefits		1	(23)	5
Stock compensation cost		-	8	-
Interest and dividend income		(3)	(35)	(4)
Interest expense		0	0	1
Insurance received and dividend		-	(5)	(33)
Exchange gain (loss)		(0)	6	(0)
Gain on redemption of marketable securities		(0)	-	(0)
Gain on sales of tangible fixed assets		(3)	-	(19)
Loss on sales of tangible fixed assets		-	-	18
Loss on retirement of tangible fixed assets		2	18	15
Gain on sales of investment securities		-	-	(110)
Loss on valuation of investment securities		-	21	-
Loss on sales of intangible fixed assets		0	-	1
Decrease (increase) in trade receivables		(66)	(2,096)	807
Decrease (increase) in inventories		172	182	(151)
Decrease (increase) in other current assets		(745)	(649)	203
Decrease (increase) in investments and other assets		(204)	(119)	(378)
Increase (decrease) in trade payables		57	194	406
Increase (decrease) in other current liabilities		775	611	295
Increase (decrease) in other fixed liabilities		3	448	(24)
Subtotal		1,820	(2)	3,551
Interests and dividends received		3	35	38
Interests paid		(0)	(0)	(1)
Income taxes paid		(670)	(237)	(1,061)
Income taxes redeemed		-	4	-
Cash flows provided by (used in) operating activities		1,152	(202)	2,526

(Millions of yen)

		Previous interim period (Apr. 1, 2006 – Sep. 30, 2006)	Current interim period (Apr. 1, 2007 – Sep. 30, 2007)	Previous fiscal year (Apr. 1, 2006 – Mar. 31, 2007)
Item	Note	Amount	Amount	Amount
II Cash flows from investing activities				
Proceeds from sales and redemption of marketable securities		2	2	5
Payments for purchase of tangible fixed assets		(298)	(272)	(524)
Proceeds from sales of tangible fixed assets		-	-	52
Payments for purchase of intangible fixed assets		(5)	(2)	(12)
Proceeds from sales of intangible fixed assets		0	-	0
Proceeds from sales of investment securities		-	-	127
Increase in long-term bank deposits		-	-	(100)
Payments for loans receivable		-	(4)	-
Proceeds from collection of loans receivable		-	4	-
Payments for start-up expenses		-	(56)	-
Payments for other investments		(10)	(19)	(16)
Proceeds from other investments		-	55	6
Net cash used for investing activities		(312)	(294)	(460)
III Cash flows from financing activities				
Proceeds from (payments for) disposition (purchase) of treasury stock		(0)	(0)	(5,250)
Dividends paid by parent company		(189)	(196)	(379)
Net cash used for financing activities		(189)	(196)	(5,629)
IV Effect of exchange rate changes on cash and cash equivalents		0	7	0
V Increase (decrease) in cash and cash equivalents		651	(684)	(3,563)
VI Cash and cash equivalents at the beginning of the year		8,516	4,952	8,516
VII Cash and cash equivalents of newly consolidated subsidiaries at beginning of the year		-	177	-
VIII Cash and cash equivalents at the end of the period	*1	9,167	4,444	4,952

*Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.*

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