

Financial Flash Report for the First Half of Fiscal Year Ending March 31, 2009

October 27, 2008

Company name: EIKEN CHEMICAL CO., LTD.	Listing: TSE, First Section
Securities Code: 4549	http://www.eiken.co.jp/en/
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Scheduled date of filing of Quarterly Report: November 11, 2008	
Scheduled date of dividends payment: December 2, 2008	

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

1. Consolidated Performance for the Six Months Ended September 30, 2008 (Apr. 1, 2008 – Sep. 30, 2008)

(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	%
Six months ended Sep. 2008	13,462	-	1,165	-	1,345	-	730	-
Six months ended Sep. 2007	13,079	2.9	1,421	(0.1)	1,462	(2.1)	598	(32.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 2008	36.42	36.34
Six months ended Sep. 2007	30.47	30.44

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Sep. 30, 2008	30,093	19,810	65.7	980.98
As of Mar. 31, 2008	28,234	19,367	68.5	959.78

Reference: Shareholders' equity (million yen): Sep. 30, 2008: 19,769 Mar. 31, 2008: 19,340

2. Dividends

(Record date)	Dividend per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 2008	-	10.00	-	15.00	25.00
Year ending Mar. 2009	-	15.00	-	-	-
Year ending Mar. 2009 (forecast)	-	-	-	10.00	25.00

Notes: Revision of dividend forecast during the period: None

Breakdown of dividends for the second quarter of fiscal year ending Mar. 2009: Commemorative dividend 5.00 yen

3. Projected Consolidated Performance for the Fiscal Year Ending March 31, 2009 (Apr. 1, 2008 – Mar. 31, 2009)

(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	26,163	3.7	1,810	(11.7)	2,050	9.2	1,130	(32.3)	56.07

Note: Revision of projected consolidated performance during the period: Yes

4. Others

(1) Changes in consolidated subsidiaries (changes in scope of consolidation): None

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements: Yes

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on page 5 for further information.

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

1) Changes caused by revision of accounting standards: Yes

2) Other changes: Yes

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on pages 5 and 6 for further information.

(4) Number of shares outstanding (common shares)

1) Number of shares outstanding (including treasury stock) at the end of the period

Sep. 30, 2008: 21,770,719 shares Mar. 31, 2008: 23,770,719 shares

2) Number of treasury stock at the end of the period

Sep. 30, 2008: 1,617,675 shares Mar. 31, 2008: 3,619,647 shares

3) Average number of shares outstanding during the period

Six months ended Sep. 2008: 20,065,292 shares Six months ended Sep. 2007: 19,651,267 shares

* Cautionary statement with respect to forward-looking statements

1. These materials contain a revision to the consolidated full-year forecast that was announced on April 25, 2008.

2. 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 4 in the section “Qualitative Information and Financial Statements, 3. Qualitative Information Regarding Projected Consolidated Performance”

3. Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

**5. Projected Non-consolidated Performance for the Fiscal Year Ending March 31, 2009
(Apr. 1, 2008 – Mar. 31, 2009)**

(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	26,163	3.7	1,900	(7.7)	2,140	1.9	1,217	(37.5)	60.39

Note: Revision of projected non-consolidated performance during the period: Yes

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Operating Results

During the first half of the fiscal year, Japan's economy was affected by the global financial and stock market turmoil caused by the subprime mortgage crisis, slowing economic growth in Europe and the U.S., and inflation associated with the rapidly rising cost of crude oil and other basic materials. The result was increasing signs of weakness in the Japanese economy as corporate earnings and capital expenditures declined.

In the clinical diagnostic reagents market, the Japanese government continues to enact measures to hold down healthcare costs. In addition, the higher cost of raw materials and other factors are posing challenges. Overcoming these difficulties will require actions to make operations more efficient and streamlined.

First half consolidated net sales increased 2.9% to 13,462 million yen.

By product category, sales of reagents for microbiological investigations increased 3.4% to 2,287 million yen because of higher sales of culture media for drug sensitivity tests and rapid diagnostic reagents. Sales of general-purpose reagents decreased 18.3% to 923 million yen due to a decline in sales of Uropaper, a urinalysis test strip. Sales of immunological and serological reagents increased 6.1% to 7,388 million yen because of strong sales of two major products: a diagnostic reagent to detect fecal occult blood and diagnostic reagents made by Tosoh Corporation exclusively for medical devices. Sales of diagnostic reagents for biomedical testing decreased 2.8% to 496 million yen because of competitive pressure on prices and a decline in the use of these reagents. In the culture media for equipment, food and the environment category, sales decreased 4.7% to 1,352 million yen because of the impact of competition on prices of equipment. In the others category (medical devices, genetic products, etc.), sales increased 20.3% to 1,014 million yen due mainly to growth in sales of medical devices and genetic products.

Overseas sales increased 40.3% to 630 million yen, the result of higher sales of fecal occult blood analyzers and diagnostic reagents, and urinalysis test strips.

Regarding expenses, there were many actions aimed at lowering the cost of manufacturing products and other expenses. However, the benefits of these measures were offset by an increase in sales of purchased products and equipment, which have a relatively high cost rate. The result was a 1.4 percentage point increase in the cost of sales ratio.

Operating income decreased 18.0% to 1,165 million yen but ordinary income was down only 8.0% to 1,345 million yen, the result of an R&D subsidy payment received from FIND that was recorded as non-operating income. First half net income increased 22.0% to 730 million yen.

Prior-year comparisons are provided solely for reference.

2. Qualitative Information Regarding Consolidated Financial Position

Compared with the end of the previous fiscal year, total assets increased 1,858 million yen and net assets increased 442 million yen. In addition, the equity ratio declined 68.5% to 65.7%.

In assets, major changes compared with the end of the previous fiscal year were a 624 million yen decrease in cash and bank deposits, a 1,146 million yen increase in notes and accounts receivable, a 467 million yen increase in suspense payment of consumption tax, which is included in other current assets, and a 175 million yen increase in investment securities due to investments of excess funds. In liabilities, notes and accounts payable increased 603 million yen and suspense receipt of consumption tax, which is included in other current liabilities, increased 655 million yen. In net assets, the capital surplus decreased 539 million yen because of the retirement of treasury stock, retained earnings decreased 1,618 million yen and the treasury stock deduction was down by 2,588 million yen.

Cash Flows

There was a net decrease of 724 million yen in cash and cash equivalents to 5,950 million yen compared with the end of the previous fiscal year. This was mainly the net result of first half income before income taxes and other adjustments of 1,249 million yen and an increase in trade receivables.

The following is a summary of cash flows for the current first half under review.

Cash flows from operating activities

Net cash provided by operating activities was 226 million yen. Although cash was used by a 1,146 million yen increase in trade receivables, cash was provided by income before income taxes and other adjustments of 1,249 million yen and a 603 million yen increase in trade payables.

Depreciation and amortization totaled 412 million yen.

Cash flows from investing activities

Net cash used in investing activities was 655 million yen. This was mainly the result of payments of 382 million yen for capital investment in production facilities, and payments of 199 million yen for the purchase of investment securities.

Cash flows from financing activities

Net cash used in financing activities was 303 million yen due to dividend payments of 302 million yen.

3. Qualitative Information Regarding Projected Consolidated Performance

For the fiscal year ending in March 2009, based on first half performance, there is no change in the sales forecast. However, due to the increase in the cost of sales ratio and a delay in the start of Uropaper production at consolidated subsidiary EIKEN SHANGHAI CO., LTD., which had been planned for the second half of this fiscal year, the earnings forecasts have been lowered.

On a non-consolidated basis, based on first half performance, the operating income forecast has been lowered because of the increase in the cost of sales ratio.

Revisions to the fiscal year forecasts compared with forecasts announced on April 25, 2008 are as follows.

Revisions to consolidated forecasts (April 1, 2008 – March 31, 2009)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A) (April 25, 2008)	26,163	2,051	2,089	1,168	57.96
Revised forecast (B)	26,163	1,810	2,050	1,130	56.07
Change (B - A)	-	(241)	(39)	(38)	-
Percentage change (%)	-	(11.8)	(1.9)	(3.3)	-
(Reference) Previous fiscal year (ended March 31, 2008)	25,223	2,050	1,877	1,670	84.30

Revisions to non-consolidated forecasts (April 1, 2008 – March 31, 2009)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A) (April 25, 2008)	26,163	2,100	2,138	1,217	60.39
Revised forecast (B)	26,163	1,900	2,140	1,217	60.39
Change (B - A)	-	(200)	2	-	-
Percentage change (%)	-	(9.5)	0.1	-	-
(Reference) Previous fiscal year (ended March 31, 2008)	25,223	2,057	2,099	1,946	98.25

4. Others

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

Not applicable.

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statement

1) Valuation of inventories

For inventories at the end of the second quarter of the current fiscal year, a valuation was determined by using a reasonable method based on actual inventories at the end of the previous fiscal year. No physical inventory count was performed.

2) Calculation of taxes

The tax expense was calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to income before income taxes and other adjustments during the fiscal year, and multiplying that rate by the quarterly income before income taxes and other adjustments.

Income taxes-deferred were included and displayed with income taxes.

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

1) Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

2) Valuation criteria and methods for inventories

In prior years, inventory for regular sales purposes was computed primarily by the moving average cost method. With the adoption of “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9: July 5, 2006) from the first quarter of the current fiscal year, inventory is computed primarily by the moving average cost method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins).

The effect of this change was to decrease operating income, ordinary income and income before income taxes and other adjustments in the first half of the current fiscal year by 29 million yen respectively.

3) Application of accounting standards for lease transactions

In prior years, the Company accounted for finance leases where there is no transfer of ownership as ordinary lease transactions for accounting purposes. However, the Company is able to use the following accounting standards beginning with quarterly consolidated financial statements for fiscal years starting on or after April 1, 2008: “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: originally issued on June 17, 1993 by Section 1 of the Business Accounting Counsel, and revised on March 30, 2007 by Accounting Standards Board of Japan); and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16: originally issued on January 18, 1994 by Accounting Standards Committee of the Japanese Institute of Certified Public Accountants, and revised on March 30, 2007 by Accounting Standards Board of Japan). The Company has adopted these standards and guidance beginning with the first quarter of the current fiscal year, using an accounting method for leases that is based on the method used for ordinary purchases and sales. For finance lease transactions where there is no transfer of ownership beginning prior to the fiscal year when these standards are first applied, the Company will continue to use an accounting method that is based on the method used for ordinary lease transactions.

Furthermore, for the depreciation of lease assets associated with finance leases where there is no transfer of ownership, the straight-line method with no residual value is applied with the lease period used as the useful life of the asset.

The effect of this on the first-half results change is insignificant.

4) Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”

Effective from the first quarter of the current fiscal year, the Company has adopted “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF No. 18: May 17, 2006) and has made the necessary adjustments to the consolidated financial statements.

The effect of this change on the first-half results is insignificant.

(4) Additional information

Change in useful lives of tangible fixed assets

Effective from the first quarter of the current fiscal year, the Company has increased the useful life for machinery in association with amendments to the Corporation Tax Law of Japan. The effect of this change was to increase operating income and ordinary income by 5 million yen each and net income by 2 million yen in the first half of the current fiscal year.

5. Quarterly Consolidated Financial Statements**(1) Consolidated Balance Sheets***(Millions of yen)*

	First half of FY3/09 (As of Sep. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
Assets		
Current assets		
Cash and bank deposits	5,950	6,574
Notes and accounts receivable	8,621	7,474
Marketable securities	-	100
Merchandise and finished goods	2,743	2,595
Work in process	1,205	1,244
Raw materials and supplies	871	903
Other current assets	1,430	510
Allowance for doubtful accounts	(15)	(16)
Total current assets	20,807	19,387
Fixed assets		
Tangible fixed assets		
Buildings and structures	12,401	12,218
Accumulated depreciation	(8,644)	(8,490)
Buildings and structures, net	3,757	3,727
Machinery, equipment and vehicles	4,830	4,892
Accumulated depreciation	(4,189)	(4,204)
Machinery, equipment and vehicles, net	640	688
Tools, furniture and fixtures	2,929	2,873
Accumulated depreciation	(2,493)	(2,422)
Tools, furniture and fixtures, net	435	451
Other tangible fixed assets	1,340	1,190
Total tangible fixed assets	6,174	6,058
Intangible fixed assets	522	547
Investments and other assets		
Other	2,596	2,248
Allowance for doubtful accounts	(7)	(7)
Total investments and other assets	2,589	2,241
Total fixed assets	9,285	8,846
Total assets	30,093	28,234

(Millions of yen)

	First half of FY3/09 (As of Sep. 30, 2008)	FY3/08 Summary (As of Mar. 31, 2008)
Liabilities		
Current liabilities		
Notes and accounts payable	5,416	4,813
Accrued income taxes	667	578
Reserve for bonuses	663	648
Allowance for returned goods	6	5
Other current liabilities	2,148	1,495
Total current liabilities	8,902	7,539
Fixed liabilities	1,380	1,326
Total liabilities	10,282	8,866
Net assets		
Shareholders' equity		
Capital stock	6,897	6,897
Capital surplus	7,892	8,432
Retained earnings	6,931	8,549
Treasury stock	(2,093)	(4,681)
Total shareholders' equity	19,627	19,197
Valuation and translation adjustments		
Unrealized holding gain (loss) on other securities	50	55
Foreign currency translation adjustment	91	87
Total valuation and translation adjustments	141	142
Stock acquisition rights	41	27
Total net assets	19,810	19,367
Total liabilities and net assets	30,093	28,234

(2) Consolidated Statements of Income
(For the Six-month Period)

(Millions of yen)

	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)	First half of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)
Net sales	13,462	13,079
Cost of sales	7,632	7,237
Gross profit	5,829	5,841
Selling, general and administrative expenses	4,664	4,423
Operating income	1,165	1,421
Non-operating income		
Interest income	2	
Dividend income	3	
Subsidy income	173	
Other	22	
Total non-operating income	201	59
Non-operating expenses		
Interest expense	1	
Loss on valuation of derivatives	10	
Foreign exchange adjustments	7	
Other	2	
Total non-operating expenses	21	18
Ordinary income	1,345	1,462
Extraordinary income		
Gain on bad debts recovered	9	
Other	0	
Total extraordinary income	10	-
Extraordinary loss		
Loss on sales and retirement of fixed assets	6	
Head office transfer cost	89	
Other	10	
Total extraordinary loss	106	486
Income before income taxes and other adjustments	1,249	976
Income taxes	519	377
Net income	730	598

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

	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)	First half of FY3/08 (Apr. 1, 2007 – Sep. 30, 2007)
Cash flows from operating activities		
Income before income taxes and other adjustments	1,249	976
Depreciation and amortization	412	377
Increase (decrease) in allowance for doubtful accounts	(0)	44
Increase (decrease) in allowance for returned goods	1	(3)
Increase (decrease) in reserve for bonuses	15	40
Interest and dividend income	(5)	(35)
Interest expense	1	0
Loss (gain) on valuation of derivatives	10	-
Loss on retirement of fixed assets	6	18
Decrease (increase) in trade receivables	(1,146)	(2,096)
Decrease (increase) in inventories	(76)	182
Increase (decrease) in trade payables	603	194
Other	(357)	XX
Subtotal	712	(2)
Interests and dividends received	7	35
Interests paid	(0)	(0)
Income taxes paid	(492)	(237)
Cash flows provided by (used in) operating activities	226	(202)
Cash flows from investing activities		
Payments for purchase of tangible fixed assets	(382)	(272)
Payments for purchase of intangible fixed assets	(33)	(2)
Payments for purchase of investment securities	(199)	-
Other	(40)	XX
Net cash used in investing activities	(655)	(294)
Cash flows from financing activities		
Dividends paid	(302)	-
Other	(1)	XX
Net cash used in financing activities	(303)	(196)
Effect of exchange rate changes on cash and cash equivalents	8	7
Increase (decrease) in cash and cash equivalents	(724)	(684)
Cash and cash equivalents at the beginning of the period	6,674	4,952
Cash and cash equivalents at the end of the period	5,950	4,444

Effective from the current fiscal year, the Company has adopted “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). In addition, the quarterly consolidated financial statements are prepared in accordance with “Regulations for Quarterly Consolidated Financial Statements.”

(4) Going Concern Assumption

Not applicable.

(5) Segment Information

1) Operating segment information

Not applicable as there is no business segment other than the diagnostic reagent business.

2) Geographical segment information

Geographical segment information is not presented since domestic sales exceeded 90% of total segment sales.

3) Overseas sales

Information of overseas sales is not presented since overseas sales account for less than 10% of consolidated net sales.

(6) Significant Changes in Shareholders' Equity

The Company retired treasury stock on May 9, 2008. This action caused a 539 million yen decrease in the capital surplus, a 1,618 million yen decrease in retained earnings and a 2,588 million yen decrease in the treasury stock deduction in the first half of the current fiscal year. As a result, the capital surplus was 7,892 million yen, retained earnings was 6,931 million yen and the treasury stock deduction was 2,093 million yen as of September 30, 2008.

6. Other Information

(Production, Orders and Sales)

The Group lists production, orders and sales information by product category because there is only one business segment: the diagnostic reagent business.

Starting with the fiscal year ending on March 31, 2009, the Company has changed the name of the following categories: reagents for microbiological investigations, general-purpose reagents, immunological and serological reagents, and diagnostic reagents for biomedical testing categories. The change affected solely the name of these categories and had no effect on the categorization of products.

(1) Production activities

Production activities by product category in the first half of the fiscal year were as follows.

(Millions of yen)

Product category	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)
Reagents for microbiological investigations	1,965
General-purpose reagents	905
Immunological and serological reagents	3,385
Diagnostic reagents for biomedical testing	55
Culture media for equipment, food and the environment	718
Other	96
Total	7,126

Notes: 1. Amounts are converted to sales prices.
2. Figures do not include consumption tax.

(2) Purchases of finished products

Purchases of finished products by product category in the first half of the fiscal year were as follows.

(Millions of yen)

Product category	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)
Reagents for microbiological investigations	305
General-purpose reagents	0
Immunological and serological reagents	2,671
Diagnostic reagents for biomedical testing	185
Culture media for equipment, food and the environment	539
Other	951
Total	4,654

Note: Figures do not include consumption tax.

(3) Orders

There are no production activities based on orders because the Group manufactures products by using production estimates based on a production plan.

(4) Sales performance

Sales performance by product category in the first half of the fiscal year were as follows.

(Millions of yen)

Product category	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)
Reagents for microbiological investigations	2,287
General-purpose reagents	923
Immunological and serological reagents	7,388
Diagnostic reagents for biomedical testing	496
Culture media for equipment, food and the environment	1,352
Other	1,014
Total	13,462

Notes: 1. Figures do not include consumption tax.

2. The following table indicates sales amounts to major customers and their ratios to total sales amount during the first half of the fiscal year.

Customers	First half of FY3/09 (Apr. 1, 2008 – Sep. 30, 2008)	
	Amount (Millions of yen)	(%)
SUZUKEN CO., LTD.	1,956	14.5
Toho Pharmaceutical Co.,Ltd	1,637	12.2
Alfresa Corporation	1,592	11.8

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