

Financial Flash Report for the Second Quarter of Fiscal Year Ending March 31, 2012 [Japanese standards] (Consolidated)

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 Scheduled filing date of quarterly earnings report: November 11, 2011
 Scheduled date of dividend payment: December 1, 2011
 Supplementary materials for the quarterly financial results: Yes
 Investor conference for the quarterly financial results: Yes

(Millions of yen rounded down)

1. Consolidated Performance for the Six Months Ended September 30, 2011 (Apr. 1, 2011 to Sep. 30, 2011)

(1) Consolidated Operating Results (% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2011	14,121	0.8	1,643	4.0	1,703	8.4	921	0.6
Six months ended Sep. 30, 2010	14,010	0.9	1,580	26.2	1,570	16.1	916	20.9

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2011	50.76	50.53
Six months ended Sep. 30, 2010	50.44	50.27

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Sep. 30, 2011	33,440	21,044	62.6	1,152.23
As of Mar. 31, 2011	32,642	20,451	62.3	1,120.32

(Reference) Shareholders' equity: As of Sep. 30, 2011: 20,930million yen. As of Mar. 31, 2011: 20,351 million yen.

2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2011	—	12.00	—	18.00	30.00
Fiscal year ending March 2012	—	12.00			
Fiscal year ending March 2012 (Forecast)			—	13.00	25.00

(Note) Revision to dividend forecast for the second quarter of the fiscal year ending March 31, 2012: No

3. Forecasts of Consolidated Performance for the Fiscal Year Ending March 31, 2012

(Apr. 1, 2011 to Mar. 31, 2012) (% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	27,610	0.2	2,210	18.4	2,280	1.9	1,080	35.4	59.45

(Note) Revision to performance forecast for the second quarter of the fiscal year ending March 31, 2012: No

4. Others (For details, please see “2. Other Information” on page 3 of “Appendix.”)

(1) Changes in important subsidiaries during the period: None

Newly added: - Excluded: -

Note: Whether or not specified subsidiaries were changed resulting in the changes in scope of consolidation during the current period.

(2) Applying simple accounting procedures and specific accounting procedures: Yes

Note: Whether or not simple accounting procedures and accounting procedures specific to preparing quarterly financial statements were applied.

(3) Changes in accounting principles, processes, presentation methods

(1) Changes of accounting policy due to revisions to accounting standards, etc.: None

(2) Changes of accounting policy other than 1): None

(3) Change in accounting estimate: None

(4) Restatement: None

(4) Number of outstanding shares (common stocks)

1) Number of shares outstanding at term-end (including treasury stocks)

As of September 30, 2010: 21,770,719 shares

As of March 31, 2010: 21,770,719 shares

2) Number of treasury stock at term-end

As of September 30, 2011: 3,605,197 shares

As of March 31, 2011: 3,605,174 shares

3) Average number of shares outstanding during the period (Cumulative total for the quarterly consolidated period)

As of September 30, 2011: 18,165,539 shares

As of September 30, 2010: 18,162,800 shares

* Indication regarding the implementation status of the quarterly review procedure

Financial flash report for this second quarter is not the subject of a quarterly review procedure based on the Financial Instruments and Exchange Act, and at the point in time when these financial flash report was disclosed, review procedures for quarterly financial statements based on the Financial Instruments and Exchange Act had not been completed.

* Explanations for the appropriate use of earnings forecast, and remarks

The above forecasts were made based on the information available as of the date of this release. Actual results could significantly differ from the above forecasts due to a variety of factors. For details on the conditions that form the assumptions used for earnings forecasts, and notes on using earnings forecasts, please refer to appendix page 3, “1. Qualitative Information Regarding the Consolidated Performance for the Current Quarter, (3) Qualitative Information Regarding Forecasts for Consolidated Business Performance”

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1. Qualitative Information Regarding the Consolidated Performance for the Current Quarter

(1) Qualitative Information Regarding Consolidated Business Performance

In the first half of the current fiscal year, the Japanese economy was on a gradual recovery trend, backed by economic growth in emerging countries such as China and economic measures put in place by the government. However, from the last half of second fiscal quarter, against a backdrop of stagnant employment conditions and income levels, as well as the global financial crisis, appreciation of the yen continued at levels beyond those anticipated by exporting companies, and with concern over downturns in corporate performance and a slumping stock market, the outlook for the future remained uncertain.

In the clinical diagnostic reagents market, although positive revisions were made for the first time in 10 years with the 2010 revision of the medical fee by the government, a slight decrease was seen in royalty checks, and the situation is now calling for further increases in efficiency and rationalization.

Under such conditions, based on the policies of our new management framework, "EIKEN ROAD MAP 2009," the EIKEN Group has strived to expand sales of core products within the Japanese market, while also working towards expanding overseas development, primarily in U.S.A and Europe.

As a result of these efforts, sales for the first half of the current fiscal year increased 0.9% year over year to 14,010 million yen.

By product category, sales of microbiological reagents were boosted by diagnostic reagents for antibiotic susceptibility tests, and increased 1.2% to 2,298 million yen. Sales of the urinalysis test strip "Uropaper α ," a specialized reagent for fully-automatic urinalysis analyzers, remained steady and sales of dry chemistry reagents increased 2.1% to 1,001 million yen. The sales of the fecal occult blood diagnostic reagent, which is our major product, as well as the reagents designed for the automated enzyme immunoassay analyzers and automated glycohemoglobin analyzers, which are made by Tosoh Corporation, have steadily increased. And sales grew for "LZ Test 'EIKEN' Series," an immunological reagent for use with clinical automated analyzers. As a result, sales of immunological and serological reagents increased 2.0% to 7,864 million yen. Due to the effects of a decrease in the volume of reagents used, as a result of intensified price competition and advances in analyzer, sales of clinical chemistry reagents decreased 8.2% to 418 million yen. Due to the effects of intensified price competition, sales of industry products in the culture media for equipment, food and environment category decreased 6.4% to 1,236 million yen. The sales of others (medical analyzers /molecular genetics- related) were increased 3.8% to 1,191 million yen as a result of increase in the sales of medical analyzers.

Overseas sales decreased 3.1% to 686 million yen, partly due to the fact that expansion of "OC-sensor DIANA," a measurement device used in fecal occult blood tests, fell behind initial estimates, although we expanded sales of the fecal occult blood diagnostic reagents and devices primarily in the U.S.A and Europe.

Regarding expenses, due to our efforts to reduce manufacturing costs, as sales continued to increase for purchase products and other products with relatively high cost rates, the sales cost ratio improved 1.1 points year over year. Also, through efficient use of expenses, selling, general and administrative expenses decreased by 2.8% year over year.

As a result, operating income increased 26.2% to 1,580 million yen, ordinary income increased 16.1% to 1,570 million yen, and net income increased 20.9% to 916 million yen.

(2) Qualitative Information Regarding Consolidated Financial Position

Financial position at the end of the second quarter of the current fiscal year is as follows.

Compared with the end of the previous fiscal year, total assets increased 682 million yen, liabilities increased 73 million yen and net assets increased 608 million yen. This caused the equity ratio to increase from 65.5% to 66.0%.

Major fluctuations in the assets section included a 728 million yen increase in notes and accounts receivable resulting from an increase in sales, a 267 million yen decrease in inventories in the form of merchandise and finished goods, and a 28 million yen decrease in work in process. In the liability section, there was a 125 million yen decrease in accrued income taxes due to payments of income taxes, and a 140 million yen increase in lease obligations included in other fixed liabilities. In the net assets section, despite the fact that payments of dividends were made, there was a 678 million yen increase in retained earnings as a result of recording net income.

(Cash flow statements)

Despite increases, including primarily a 730 million yen increase in trade receivables, because 1,528 million yen was recorded in income before income taxes and other adjustments, cash and cash equivalents (hereafter, "funds") for the first half of the current fiscal year increased by 162 million yen from the end of the previous fiscal year, and totaled 7,199 million yen.

Our cash flow situation for this second fiscal quarter, and factors affecting it were as follows.

(Cash flows from operating activities)

The net income before income taxes and other adjustments was 1,528 million yen, and the reduction in the inventories has resulted in the increase in the funds by 296 million yen. As a result, even though the funds declined by 730 million yen due to an increase of the trade receivables, the funds from the operating activities concluded with an increase of 642 million yen (it was an increase of 855 million yen in the same period of last fiscal year).

The depreciation cost was 422 million yen.

(Cash flows from investing activities)

The expenditure as capital investment for production facilities was 171 million yen. As a result, the funds from investing activities concluded with a decrease by 178 million yen (it was a decrease of 257 million yen in the same period of last fiscal year).

(Cash flows from financing activities)

The funds from financing activities have decreased by 269 million yen (it was a decrease of 192 million yen in the same period of last fiscal year), mainly due to the payment of 236 million yen for dividends.

(3) Qualitative Information Regarding Forecasts for Consolidated Business Performance

Regarding full-year consolidated performance forecasts for the year ending March 2011, there are no changes from the earnings forecasts announced on April 27, 2010.

2. Other Information

(1) Outline of changes in important subsidiaries

None.

(2) Outline of simple accounting procedures and specific accounting procedures

1) Valuation method for inventories

Calculations of inventory at the end of the first half of the current fiscal year were based on a method in which physical inventory count is omitted, and inventory is computed through a rational approach, with the closing inventory count for the previous fiscal year serving as a foundation.

2) Calculations of tax expenses

Regarding tax expenses, a reasonable estimate was made of the effective tax rate after tax effect accounting for net income before income taxes and other adjustments, for the consolidated fiscal year that includes these first and second consolidated fiscal quarters, and net income before income taxes and other adjustments was multiplied by this estimated effective tax rate. Income taxes-deferred are included in income taxes.

(3) Outline of changes in accounting principles, procedures and presentation methods

1) Application of "Accounting Standard for Asset Retirement Obligations"

"Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) are applied from first quarter of the current fiscal year.

As a result of this, operating income and ordinary income for the first half of the current fiscal year both remained unchanged, while net income before income taxes and other adjustments decreased by 11 million yen. The change in asset retirement obligations resulting from commencing application of these accounting standards totaled 29 million yen.

2) Changes in display methods (regarding quarterly consolidated income statements)

As a result of applying "Cabinet Office Regulations for Revising Certain Rules Concerning Terms, Forms and Preparation Methods for Financial Statements" (March 24, 2009; Cabinet Office Regulations No. 5), based on "Accounting Standards for Consolidated Financial Statements" (ASBJ No. 22, December 26, 2008), in the first half for the current fiscal year, these are displayed in the account item, "Income before minority interests."

(4) Summary of key events concerning premises of going concerns

None.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Second Quarter of FY 2010 (As of Sep. 30, 2010)	FY 2010 (As of March 31, 2010)
ASSETS		
Current assets		
Cash and bank deposits	7,199	7,037
Notes and account receivable	8,883	8,154
Merchandise and finished goods	2,477	2,745
Work in process	911	940
Raw materials and supplies	611	610
Other current assets	1,232	1,062
Allowance for doubtful accounts	(0)	(0)
Total current assets	21,314	20,549
Fixed assets		
Tangible fixed assets		
Buildings and structures	12,765	12,783
Accumulated depreciation	(9,260)	(9,148)
Buildings and structures, net	3,505	3,635
Machinery, equipment and vehicles	5,115	5,204
Accumulated depreciation	(4,396)	(4,441)
Machinery, equipment and vehicles, net	718	762
Tools, furniture and fixtures	2,822	2,882
Accumulated depreciation	(2,556)	(2,584)
Tools, furniture and fixtures, net	266	298
Other, net	1,503	1,280
Total tangible fixed assets	5,993	5,976
Intangible fixed assets	390	430
Investments and other assets		
Other	2,305	2,424
Allowance for doubtful accounts	(6)	(6)
Allowance for investment loss	—	(58)
Total Investments and other assets	2,298	2,358
Total fixed assets	8,682	8,765
Total assets	29,996	29,314

(Millions of yen)

	Second Quarter of FY 2010 (As of Sep. 30, 2010)	FY 2010 (As of March 31, 2010)
LIABILITIES		
Current liabilities		
Notes and accounts payable	5,342	5,261
Accrued income taxes	685	811
Reserve for bonuses	657	662
Allowance for returned goods	4	5
Asset retirement obligations	1	—
Other current liabilities	1,981	2,022
Total current liabilities	8,673	8,763
Fixed liabilities		
Provision for environmental measures	3	—
Asset retirement obligations	28	—
Other fixed liabilities	1,407	1,276
Total fixed liabilities	1,439	1,276
Total liabilities	10,113	10,039
NET ASSETS		
Shareholders' equity		
Capital stock	6,897	6,897
Capital surplus	7,892	7,892
Retained earnings	8,528	7,849
Treasury stock	(3,425)	(3,431)
Total shareholders' equity	19,892	19,207
Valuation and translation adjustments		
Unrealized holding gain on other securities	3	28
Foreign currency translation adjustment	(99)	(40)
Total valuation and translation adjustments	(95)	(11)
Stock acquisition rights	86	79
Total net assets	19,883	19,275
Total liabilities and net assets	29,996	29,314

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	First six months of FY 2009 (Apr. 1, 2009- Sep. 30, 2009)	First six months of FY 2010 (Apr. 1, 2010- Sep. 30, 2010)
Net sales	13,890	14,010
Cost of sales	8,166	8,084
Gross profit	5,724	5,926
Selling, general and administrative expenses	4,471	4,345
Operating income	1,252	1,580
Non-operating income		
Interest income	2	0
Dividend income	4	2
House rent income	—	6
Gain on valuation of derivatives	9	—
Subsidy income	17	—
Other	69	22
Total non-operating income	104	32
Non-operating expenses		
Interest expenses	1	3
Loss on cancellation of insurance	1	—
Exchange loss	—	34
Commitment fee	1	—
Other	0	4
Total non-operating expenses	4	42
Ordinary income	1,352	1,570
Extraordinary income		
Gain on sales of fixed assets	0	—
Gain on sales of investment securities	—	5
Reversal of allowance for doubtful accounts	12	0
Gain on receive bequest of investment securities	—	14
Total extraordinary income	13	19
Extraordinary loss		
Loss on sales and retirement of fixed assets	17	10
Loss on valuation of investment securities	—	37
Reversal of allowance for investment loss	58	—
Other	—	14
Total extraordinary loss	76	61
Income before income taxes other adjustments	1,289	1,528
Income taxes	531	612
Net income (loss) before minority interests	—	916
Minority interests in income	—	—
Net income	757	916

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of FY 2009 (Apr. 1, 2009- Sep. 30, 2009)	First six months of FY 2010 (Apr. 1, 2010- Sep. 30, 2010)
Cash flows from operating activities		
Income before income taxes and other adjustments	1,289	1,528
Depreciation and amortization	444	422
Increase (decrease) in allowance for doubtful accounts	(13)	0
Increase (decrease) allowance for returned goods	(0)	(1)
Increase (decrease) in allowance for investment loss	58	(58)
Increase (decrease) in provision for environmental measures	—	3
Increase (decrease) in reserve for bonuses	(15)	(5)
Interest and dividend income	(7)	(3)
Interest expenses	1	3
Loss (gain) on valuation of derivatives	(9)	—
Loss (gain) on sales and retirement of fixed assets	17	10
Loss (gain) on valuation of investment securities	—	37
Loss (gain) on sales of investment securities	—	(5)
Gain on receive bequest of investment securities	—	(14)
Decrease (increase) in trade receivables	(1,152)	(730)
Decrease (increase) in inventories	620	296
Increase (decrease) in trade payables	14	81
Effect of application of accounting standard for asset retirement obligations	—	10
Other	1	(214)
Subtotal	1,250	1,362
Interest and dividends received	7	3
Interest paid	(1)	(3)
Income taxes paid	(400)	(728)
Income taxes redeemed	—	9
Cash flows provided by operating activities	855	642
Cash flows from investing activities		
Payments for purchase of tangible fixed assets	(302)	(171)
Payments for purchase of intangible fixed assets	(47)	(9)
Proceeds from sales of investment securities	—	14
Proceeds from withdrawal of long-term bank deposits	100	—
Other	(7)	(11)
Net cash provided by (used in) investing activities	(257)	(178)
Cash flows from financing activities		
Dividends paid	(181)	(236)
Other	(10)	(32)
Net cash provided by (used in) financing activities	(192)	(269)
Effect of exchange rate changes on cash and cash equivalents	(25)	(33)
Increase (decrease) in cash and cash equivalents	381	162
Cash and cash equivalents at the beginning of the period	5,418	7,037
Cash and cash equivalents at the end of the period	5,799	7,199

(4) Notes Regarding Going Concern Assumptions

None.

(5) Segment Information

Details have been omitted, as the EIKEN Group represents a single segment of only the test agent business.

(Additional information)

From first fiscal quarter, we are applying “Accounting Standards Concerning Disclosure of Segment Information” (Corporate Accounting Standards, No. 17, March 27, 2009) and “Application Guide for Accounting Standards Concerning Disclosure of Segment Information” (Corporate Accounting Standards Application Guide, No. 20, March 21, 2008).

(6) Notes Regarding Significant Changes in Shareholders' Equity

None.

4. Supplementary Information

Production, Orders and Sales

As the EIKEN Group represents a single segment of only the test agent business, details on the state of production, orders received and sales are included for each product type classification.

(1) Production activities

Production activities during the first half of the current fiscal year is shown below for each product type classification.

(Millions of yen)

Product category	First six months of FY 2010 (Apr. 1, 2010- Sep. 30, 2010)	YoY (%)
Microbiological reagents	1,897	99.6
Dry chemistry reagents	1,013	122.0
Immunological and serological reagents	3,054	99.8
Clinical chemistry reagents	37	90.1
Industry products (Culture media for equipment, food and environment category)	517	81.3
Other (medical analyzers /molecular genetics- related)	98	142.8
Total	6,619	101.2

(Note) 1. Stated amounts are calculated based on sales prices.

2. Consumption tax is not included in the amounts listed in this table.

(2) Purchases of finished products

Purchases of finished products during the first half of the current fiscal year is shown below for each product type classification.

(Millions of yen)

Product category	First six months of FY 2010 (Apr. 1, 2010- Sep. 30, 2010)	YoY (%)
Microbiological reagents	301	131.8
Dry chemistry reagents	2	300.5
Immunological and serological reagents	3,048	102.9
Clinical chemistry reagents	152	83.6
Industry products (Culture media for equipment, food and environment category)	546	107.6
Other (medical analyzers /molecular genetics- related)	877	105.6
Total	4,929	104.6

(Note) 1. Consumption tax is not included in the amounts listed in this table

(3) Orders

As we perform made-to-stock production based on production plans, we do not engage in production by order.

(4) Sales performance

Sales performance during the first half of the current fiscal year is shown below for each product type classification.

(Millions of yen)

Product category	First six months of FY 2010 (Apr. 1, 2010- Sep. 30, 2010)	YoY (%)
Microbiological reagents	2,298	101.2
Dry chemistry reagents	1,001	102.1
Immunological and serological reagents	7,864	102.0
Clinical chemistry reagents	418	91.8
Industry products (Culture media for equipment, food and environment category)	1,236	93.6
Other (medical analyzers /molecular genetics- related)	1,191	103.8
Total	14,010	100.9

(Note) 1. Consumption tax is not included in the amounts listed in this table.

2. The following shows sales performance by main customers, and the percentage of total sales performance accounted for by these sales performances, for the first half of the fiscal year.

Customers	First six months of FY 2009 (Apr. 1, 2009- Sep. 30, 2009)		First six months of FY 2010 (Apr. 1, 2010- Sep. 30, 2010)	
	Amount (Millions of yen)	%	Amount (Millions of yen)	%
SUZUKEN CO., LTD.	2,022	14.6	1,972	14.1
Toho Pharmaceutical Co., Ltd.	1,677	12.1	1,761	12.6
Alfresa Corporation	1,666	12.0	1,747	12.5