

Financial Flash Report for the First Second Quarter of Fiscal Year Ending March 31, 2013 [Japanese standards] (Consolidated)

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 filing date of Quarterly Securities Report: November 12, 2012
 Scheduled date of dividend payment: December 3, 2012
 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 First Second Quarter (April 1, 2012 to September 30, 2012)

(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, 2012	14,638	3.7	1,484	(9.7)	1,586	(6.8)	993	7.7
Six months ended Sep. 30, 2011	14,121	0.8	1,643	4.0	1,703	8.4	921	0.6

(Note) Comprehensive income: As of Sep. 30, 2012: 945million yen. As of Sep. 30, 2011: 906 million yen.

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2012	54.66	54.13
Six months ended Sep. 30, 2011	50.76	50.53

(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, 2012	34,466	22,093	63.7	1,207.99
As of March 31, 2012	33,124	21,459	64.4	1,174.24

(Reference) Shareholders' equity: As of Sep. 30, 2012: 21,958million yen. As of March 31, 2012: 21,330 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 2012	—	12.00	—	18.00	30.00
Fiscal year ending March 2013	—	15.00			
Fiscal year ending March 2013 (Forecast)			—	15.00	30.00

(Note) Revision of dividends forecast for this period: No

3. Forecasts of Consolidated Performance for the Fiscal Year Ending March 31, 2013

(April 1, 2012 to March 31, 2013) (% 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	28,500	2.9	2,580	9.2	2,730	7.3	1,700	16.4	93.52

(Note) Revision of consolidated results forecast for this period: Yes

4. Others

(1) Changes in important subsidiaries during the period (Specified subsidiaries accompanying changes in scope of consolidation): None

(2) Application of special accounting method: Yes

(3) Changes in accounting policies, Changes in accounting estimates, Restatements

(1) Changes in accounting policies due to revisions to accounting standards, etc.: Yes

(2) Other changes in accounting policies : No

(3) Changes in accounting estimates: Yes

(4) Restatements: No

(4) Number of outstanding shares (common stocks)

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

As of September 30, 2012: 21,770,719 shares

As of March 31, 2012: 21,770,719 shares

2) Number of treasury stock at term-end

As of September 30, 2012: 3,592,829 shares

As of March 31, 2012: 3,605,197 shares

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

As of September 30, 2012: 18,172,758 shares

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

1. Revisions have been made to our forecast of full-year operating results, which we announced on April 26 2012.

2. 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”

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

(1) Qualitative information related to consolidated operating results

The economy of Japan during the second quarter (consolidated) remained uncertain, as the gradual economic recovery in the country that had been advancing on the backdrop of revival-related demand and other factors came to a standstill on the one hand, and the existence of such downturn risks in the economic conditions overseas as the problem of protraction of the government debt crisis in Europe, fiscal austerity in the U.S., and the wave of economic slowdown now reaching the newly-rising nations on the other.

In the clinical diagnostic reagents market, for laboratory testing fees as a result of the fee revision by the government, even though laboratory testing fees for tests including the microbiological test and gene test were raised in the fiscal year 2012, laboratory testing fees for tests including the biochemical test and blood test were reduced, therefore overall laboratory testing fees remained roughly flat. The difficult management environment due to medical cost containment policies by the central government continues and each company is required to improve efficiency and streamline management further.

Under this environment, the EIKEN group has been striving to expand sales of our major products in Japan in line with our new management framework, "EIKEN ROAD MAP 2009", in addition to efforts to expand overseas development mainly in the U.S.A and Europe.

As a result, the net sales of the current consolidated fiscal year were increased 3.7% year over year to 14,638 million yen.

The following are sales for each type of product; 1) The sales of microbiological reagents, sales of such diagnostic reagents for drug sensitivity tests as "Dry Plate 'EIKEN'", powdered culture media, and blood culture reagents increased, but sales of other diagnostic reagents for drug sensitivity tests such as "Frozen Plate 'EIKEN'" and raw culture media made only a little increase, resulting in sales remaining at approximately the level of the same period of increased by 0.2% year over year to 2,320 million yen. 2) The sales of general-purpose reagents increased 2.1% year over year to 1,021 million yen along with sales of the reagent designed for the automatic urine analyzer "Uropaper α III EIKEN". (3) In immunological and serological reagents, the sales of fecal occult blood diagnostic reagents for overseas, the sales of "LZ Test 'EIKEN'", which is a reagent for general-purpose automatic analyzers, and the sales of "AIA reagents, HbA1c reagents" of TOSOH CORPORATION introduced and sold by our company increased. As a result, the sales of immunological and serological reagents increased 3.2% to 8,250 million yen. (4) For clinical chemistry reagents, the sales of overall products grew at a sluggish pace, and as a result, the sales of clinical chemistry reagents decreased 3.5% year over year to 368 million yen. 5) The sales of culture media for the equipment, food and environment category increased 0.7% to 1,203 million. 6) The sales of others (medical devices/molecular genetics-related products) increased 19.4% year over year to 1,473 million yen as a result of robust sales in medical devices and molecular genetics (LAMP method)- related products.

Overseas sales were increased 16.8% year over year to 918 million yen as a result of an increase in sales of fecal occult blood diagnostic reagents.

Regarding expenses, the sales cost ratio improved 1.9 points on a year-over-year basis mainly due to a change in the product composition ratio of sales. The selling, general and administrative expenses increased 2.6% year over year, however, the selling, general and administrative expense ratio decreased 0.3 points year over year.

As a result, operating income decreased 9.7% year over year to 1,484 million yen, ordinary income decreased 6.8% year over year to 1,586 million yen, and net income for the current quarter increased 7.7% year over year to 993 million yen.

In addition, we have been working on the development of a reagent for the detection of active tuberculosis (TB).using the LAMP method for developing countries in collaboration with FIND (Foundation for Innovative New Diagnostics) and are aiming for recommendation by WHO, however, recommendation appeared impossible this year. We will continue to promote assessments in developing countries toward recommendation by WHO. We are confident the LAMP technology will contribute to the rapid detection of TB patients in developing countries.

*From the current consolidated fiscal year, the Japanese names of microbiological reagents used for the category names of products have been changed. These changes are in name only and the classification of the category remains unchanged.

(2) Qualitative information related to consolidated financial position

When compared to the end of the previous fiscal year, total assets increased by 1,342 million yen, liabilities increased by 708 million yen and net assets increased by 633 million yen.

Our equity ratio increased to 63.7% compared to 64.4% at the end of the previous fiscal year.

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Major increases and decreases in the category of assets included a 625 million yen increase in notes and accounts receivable due to an increase in sales and inventory increased by 530 million yen due to increases in merchandise and finished goods, etc.

In the liabilities category, notes and accounts payable-trade (including electronically recorded obligations) increased by 1,189 million yen due to an increase in purchase, income taxes payable decreased by 159 million yen with payment of income taxes, and long-term loans payable decreased by 236 million yen as a result of repayment.

In the category of net assets, retained earnings increased by 664 million yen due to recording of quarterly net income, despite payment of dividends.

(3) Qualitative Information Regarding Forecasts for Consolidated Business Performance

Adjustment has been made to the forecast of its full-year operating results for the year ending March 2013 publicized on April 26, 2012 in consolidation of the recent development of its business performance.

Adjustment to the forecast of full-year consolidated operating results for the year ending March 31, 2013 (from April 1, 2012 to March 31, 2013)

(Unit: million yen unless otherwise indicated)

	Net sales	Operating income	Ordinary income	Net income	Net income per share(yen)
Previously publicized forecast (A)	28,000	2,460	2,560	1,620	89.12
Adjusted forecast (B)	28,500	2,580	2,730	1,700	93.52
Amount of increase or decrease (B-A)	500	120	170	80	
Rate of increase or decrease (%)	1.8	4.9	6.6	4.9	
(For reference) Operating results for the previous fiscal year	27,702	2,363	2,543	1,460	80.38

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Second Quarter of FY 2013 (As of Sep.30, 2012)	FY 2012 (As of March 31, 2012)
ASSETS		
Current assets		
Cash and deposits	5,276	5,295
Notes and accounts receivable-trade	9,966	9,079
Merchandise and finished goods	3,354	2,830
Work in process	850	883
Raw materials and supplies	634	595
Other	1,363	1,171
Total current assets	21,447	19,856
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	13,940	13,889
Accumulated depreciation	(9,431)	(9,219)
Buildings and structures, net	4,508	4,669
Machinery, equipment and vehicles	4,485	4,992
Accumulated depreciation	(3,825)	(4,315)
Machinery, equipment and vehicles, net	660	677
Tools, furniture and fixtures	2,844	2,874
Accumulated depreciation	(2,618)	(2,628)
Tools, furniture and fixtures, net	226	246
Land	4,447	4,447
Other, net	546	436
Total property, plant and equipment	10,389	10,476
Intangible assets	361	361
Investments and other assets		
Other	2,274	2,436
Allowance for doubtful accounts	(6)	(6)
Total Investments and other assets	2,267	2,429
Total noncurrent assets	13,019	13,267
Total assets	34,466	33,124

(Millions of yen)

	Second Quarter of FY 2013 (As of Sep.30, 2012)	FY 2012 (As of March 31, 2012)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	5,345	5,504
Electronically recorded obligations-operating	1,348	—
Current portion of long-term loans payable	472	472
Income taxes payable	597	756
Provision for bonuses	659	656
Provision for sales returns	4	4
Provision for Casualty Loss	—	1
Asset retirement obligations	0	0
Other	1,987	2,103
Total current liabilities	10,415	9,498
Noncurrent liabilities		
Long-term loans payable	506	742
Provision for environmental measures	5	5
Asset retirement obligations	28	27
Other	1,417	1,390
Total noncurrent liabilities	1,957	2,165
Total liabilities	12,372	11,664
NET ASSETS		
Shareholders' equity		
Capital stock	6,897	6,897
Capital surplus	7,892	7,892
Retained earnings	10,645	9,981
Treasury stock	(3,413)	(3,425)
Total shareholders' equity	22,021	21,346
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44	55
Foreign currency translation adjustment	(107)	(70)
Total accumulated other comprehensive income	(63)	(15)
Subscription rights to shares	134	129
Total net assets	22,093	20,459
Total liabilities and net assets	34,466	33,124

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	First six months of FY 2011 (Apr.1,2011- Sep.30,2011)	First six months of FY 2012 (Apr.1,2012- Sep.30,2012)
Net sales	14,121	14,638
Cost of sales	8,112	8,675
Gross profit	6,008	5,963
Selling, general and administrative expenses	4,365	4,478
Operating income	1,643	1,484
Non-operating income		
Interest income	1	4
Dividend income	5	2
Rent income	69	69
Subsidy income	—	35
Other	22	25
Total non-operating income	99	137
Non-operating expenses		
Interest expenses	12	10
Foreign exchange losses	21	15
Depreciation	—	7
Other	5	1
Total non-operating expenses	40	35
Ordinary income	1,703	1,586
Extraordinary income		
Gain sale fixed assets	—	0
Total extraordinary income	—	0
Extraordinary loss		
Loss sale fixed assets	3	11
Impairment loss	206	—
Loss on valuation of investment securities	3	—
Special extra retirement payments	—	16
Total extraordinary losses	214	28
Income before income taxes and minority interests	1,488	1,558
Income taxes	566	565
Income before minority interests	921	993
Minority interests in income	—	—
Net income	921	993

Consolidated statements of comprehensive income

(Millions of yen)

	First six months of FY 2011 (Apr.1,2011- Sep.30,2011)	First six months of FY 2012 (Apr.1,2012- Sep.30,2012)
Income before minority interests	921	993
Other comprehensive income		
Valuation difference on available-for-sale securities	12	(10)
Foreign currency translation adjustment	(28)	(37)
Other comprehensive income	(15)	(47)
Comprehensive income	906	945
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	906	945
Comprehensive income attributable to minority interests	—	—

(3) Notes Regarding Going Concern Assumptions

None.

(4) Notes Regarding Significant Changes in Shareholders' Equity

None.