

## Financial Flash Report for the First Second Quarter of Fiscal Year Ending March 31, 2014 [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, 2013  
 Scheduled date of dividend payment: December 2, 2013  
 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, 2013 to September 30, 2013)

(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, 2013	15,065	2.9	1,638	10.4	1,692	6.6	1,085	9.3
Six months ended Sep. 30, 2012	14,638	3.7	1,484	(9.7)	1,586	(6.8)	993	7.7

(Note) Comprehensive income: As of Sep. 30, 2013: 1,022million yen. As of Sep. 30, 2012: 945 million yen.

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2013	59.68	59.01
Six months ended Sep. 30, 2012	54.66	54.13

### (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, 2013	35,163	24,359	68.8	1,330.08
As of March 31, 2013	35,138	23,679	67.0	1,294.26

(Reference) Shareholders' equity: As of Sep. 30, 2013: 24,197million yen. As of March 31, 2013: 23,526 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 2013	—	15.00	—	20.00	35.00
Fiscal year ending March 2014	—	15.00			
Fiscal year ending March 2014 (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, 2014

(April 1, 2013 to March 31, 2014) (% 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	29,760	3.9	2,690	5.6	2,700	(4.0)	1,720	(29.9)	94.54

(Note) Revision of consolidated results forecast for this period: No

**Notes:**

(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.: No

(2) Other changes in accounting policies : No

(3) Changes in accounting estimates: No

(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, 2013: 21,770,719 shares

As of March 31, 2013: 21,770,719 shares

2) Number of treasury stock at term-end

As of September 30, 2013: 3,577,829 shares

As of March 31, 2013: 3,592,829 shares

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

As of September 30, 2013: 18,186,613 shares

As of September 30, 2012: 18,172,758 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 2, "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) made a mild recovery, such as improvement in export circumstances and in corporate earnings under continued favor of depreciation of yen and a rising stock market, by the effect of the economical policy and the easy monetary policy taken by the new government. On the other hand, economic prospects remain uncertain for the reasons including higher import prices due to the effect of depreciation of yen, delay in improvement of employment and wages, concerns for negative impact of consumption tax increase next spring and outcomes of negotiations of the Trans-Pacific Strategic Economic Partnership (TPP). The global economy is at downward risk including economic slowdown in emerging countries and the U.S. financial issues.

In the clinical diagnostics industry, each company requires to seek further business efficiency and rationalization and to develop overseas operations in a proactive manner as the government continues to hold down medical cost.

Under this business environment, in line with our new management framework, "EIKEN ROAD MAP 2009", the EIKEN group (the "Group") has been striving to increase the market share of our major products in Japan and to develop and launch new products as well as to drive forward the globalization of the Group as a whole, which globalization includes to accelerate overseas market development of fecal occult blood diagnostic reagents, to develop global market of genetic screening (LAMP method) products and licenses and to strengthen the production and sales structures in China.

As a result of our above efforts, the net sales for the second quarter (consolidated) went up to 15,065 million yen (increase of 2.9% year-on-year basis).

Here is the breakdown of net sales by classes and types of products.

The sales of microbiological reagents were 2,375 million yen (increase of 2.4% year-on-year basis) since the sales of the "Dry Plate 'Eiken' ", a reagent for drug susceptibility testing, increased and the sales of the "Immuno Catch Noro", a reagent for quick testing, were newly added by its launch in November last year. The sales of reagents for general test were 1,051 million yen (increase of 2.9% year-on-year basis) in accordance with the sales increase of the "UROPAPER  $\alpha$  III 'Eiken' ", a dedicated test strip for fully automated urine analyzer. With regard to immunological and serological reagent, the sales of the "E Plate 'Eiken' helicobacter pylori antibody II ", which measures helicobacter pylori antibody in the blood, and the sales of the "LZ Test 'Eiken' Pepsinogen" which is used for a test to examine the condition of the stomach (ABC classification) in a combination with helicobacter pylori examination, were increased as a result of the expansion of insurance coverage from February this year. The domestic sales of "AIA related reagents, HbA1c reagents" of TOSOH CORPORATION introduced and sold by our company and of fecal occult blood diagnostic reagents have been continued strong and reached to 8,586 million yen (increase of 4.1% year-on-year basis). The sales of clinical chemistry reagent did not grow and were 357 million yen (decrease of 3.0% year-on-year basis) due to reasons such as price competitions. The sales of equipment, and food and environment related culture media category decreased to 1,192 million yen (decrease of 0.9% year-on-year basis) due to reasons such as price competitions. In the other category (medical devices, genetic related products, etc.), the sales of medical devices did not grow but the sales of and the patent fee income from "Loopamp Mycoplasma P Detecting Reagent Kit" and "Loopamp tuberculosis complex Detecting Reagent Kit" based on genetic screening (LAMP method) went up. As a result, the sales of this category were 1,501 million yen (increase of 1.9% year-on-year basis).

Regarding the sales to overseas, in spite of successful new adoption of fecal occult blood test in Europe, the sales in the first quarter to North America of fecal occult blood diagnostic reagent decreased due to the effect of inventory adjustments at distributors. And the sales to overseas went down to 850 million yen (decrease of 7.5% year-on-year basis).

Regarding profit, our efforts to reduce the manufacturing cost ratio of our in-house products and to make more efficient use of sales expenses and administrative and general expenses resulted operating income of 1,638million yen (increase of 10.4% year-on-year basis), ordinary income of 1,692 million yen (increase of 6.6% year-on-year basis) and quarterly net income of 1,085 million yen (increase of 9.3% year-on-year basis).

## **(2) Qualitative information related to financial position**

The financial position at the end of the second quarter consolidated cumulative period was as follows.

When compared to the end of the previous consolidated fiscal year, total assets increased by 25 million yen, liabilities decreased by 655 million yen and net assets increased by 680 million yen. Our equity ratio increased to 68.8% compared to 67.0% at the end of the previous consolidated fiscal year.

Major increases and decreases in the category of assets included a 343 million yen increase in cash and deposits, as well as a 202 million yen increase in notes and accounts receivable ,and a 409 million yen decrease in inventory assets due to decrease of goods and products.

In the category of liabilities, electronically recorded obligations-operating decreased by 105 million yen due to a decrease in purchase of stock. Income tax and other taxes payable decreased by 208 million yen as result of payments of taxes, and current portion of long-term loans payable and long-term loans payable decreased by 16 million yen and by 220 million yen respectively as result of repayment of long-term loans payable. In the category of net assets, retained earnings increased by 719 million yen due to recording of quarterly net income, despite payment of dividends.

## **(3) Qualitative Information Regarding Forecasts for Consolidated Business Performance**

The consolidated business performance forecasts for the fiscal year ending March 2014 remain unchanged from the business performance forecasts announced on April 25, 2013.

## **2. Other Information**

Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statement.

### **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.

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Second Quarter of FY 2014 (As of Sep.30, 2013)	FY 2013 (As of March 31, 2013)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	9,912	9,568
Notes and accounts receivable-trade	9,410	9,208
Merchandise and finished goods	3,217	3,703
Work in process	855	846
Raw materials and supplies	696	630
Other	1,320	1,336
Total current assets	25,413	25,293
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures	14,101	14,009
Accumulated depreciation	(9,795)	(9,592)
Buildings and structures, net	4,305	4,416
Machinery, equipment and vehicles	4,812	4,789
Accumulated depreciation	(3,973)	(3,889)
Machinery, equipment and vehicles, net	838	899
Tools, furniture and fixtures	2,976	2,883
Accumulated depreciation	(2,678)	(2,657)
Tools, furniture and fixtures, net	297	226
Land	1,006	1,006
Other, net	340	364
Total property, plant and equipment	6,789	6,913
Intangible assets	474	429
Investments and other assets		
Other	2,491	2,508
Allowance for doubtful accounts	(6)	(6)
Total Investments and other assets	2,484	2,501
Total noncurrent assets	9,749	9,845
<b>Total assets</b>	<b>35,163</b>	<b>35,138</b>

**Notes:**

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(Millions of yen)

	Second Quarter of FY 2014 (As of Sep.30, 2013)	FY 2013 (As of March 31, 2013)
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	3,777	3,766
Electronically recorded obligations-operating	2,116	2,222
Current portion of long-term loans payable	456	472
Income taxes payable	635	844
Provision for bonuses	676	655
Provision for sales returns	5	4
Asset retirement obligations	1	2
Other	1,727	1,832
Total current liabilities	9,396	9,799
<b>Noncurrent liabilities</b>		
Long-term loans payable	50	270
Provision for environmental measures	5	5
Asset retirement obligations	30	29
Other	1,321	1,355
Total noncurrent liabilities	1,407	1,659
Total liabilities	10,803	11,459
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	6,897	6,897
Capital surplus	7,892	7,892
Retained earnings	12,551	11,832
Treasury stock	(3,399)	(3,413)
Total shareholders' equity	23,942	23,209
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	171	280
Foreign currency translation adjustment	83	37
Total accumulated other comprehensive income	255	317
Subscription rights to shares	161	152
Total net assets	24,359	23,679
<b>Total liabilities and net assets</b>	<b>35,163</b>	<b>35,138</b>

## (2) Quarterly Consolidated Statements of Income

(Millions of yen)

	First six months of FY 2013 (Apr.1,2012- Sep.30,2012)	First six months of FY 2014 (Apr.1,2013- Sep.30,2013)
Net sales	14,638	15,065
Cost of sales	8,675	8,854
Gross profit	5,963	6,211
Selling, general and administrative expenses	4,478	4,573
Operating income	1,484	1,638
Non-operating income		
Interest income	4	1
Dividend income	2	7
Foreign exchange gains	—	9
Subsidy income	35	14
Other	95	35
Total non-operating income	137	68
Non-operating expenses		
Interest expenses	10	7
Foreign exchange losses	15	—
Depreciation	7	5
Other	1	1
Total non-operating expenses	35	14
Ordinary income	1,586	1,692
Extraordinary income		
Gain sale fixed assets	0	0
Total extraordinary income	0	0
Extraordinary loss		
Loss sale fixed assets	11	2
Special extra retirement payments	16	—
Total extraordinary losses	28	2
Income before income taxes and minority interests	1,558	1,689
Income taxes	565	604
Income before minority interests	993	1,085
Minority interests in income	—	—
Net income	993	1,085



**Consolidated statements of comprehensive income**

(Millions of yen)

	First six months of FY 2013 (Apr.1,2012- Sep.30,2012)	First six months of FY 2014 (Apr.1,2013- Sep.30,2013)
Income before minority interests	993	1,085
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	(108)
Foreign currency translation adjustment	(37)	45
Other comprehensive income	(47)	(62)
Comprehensive income	945	1,022
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	945	1,022
Comprehensive income attributable to minority interests	—	—

**(3) Notes Regarding Going Concern Assumptions**

None.

**Notes Regarding Significant Changes in Shareholders' Equity**

None.