

Financial Flash Report for the First Second Quarter of Fiscal Year Ending March 31, 2015 [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 date of dividend payment: December 1, 2014
 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, 2014 to September 30, 2014)

(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, 2014	15,819	5.0	1,855	13.3	1,955	15.6	1,349	24.4
Six months ended Sep. 30, 2013	15,065	2.9	1,638	10.4	1,692	6.6	1,085	9.3

(Note) Comprehensive income: As of Sep. 30, 2014: 1,474 million yen. 44.1% As of Sep. 30, 2013: 1,022 million yen. 8.2%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2014	74.05	73.23
Six months ended Sep. 30, 2013	59.68	59.01

(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, 2014	37,737	25,653	67.5	1,396.32
As of March 31, 2014	36,395	24,278	66.2	1,323.98

(Reference) Shareholders' equity: As of Sep. 30, 2014: 25,491 million yen. As of March 31, 2014: 24,086 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 2014	—	15.00	—	20.00	35.00
Fiscal year ending March 2015	—	17.00			
Fiscal year ending March 2015 (Forecast)			—	18.00	35.00

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

3. Forecasts of Consolidated Performance for the Fiscal Year Ending March 31, 2015

(April 1, 2014 to March 31, 2015) (% 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	31,320	4.3	2,900	(3.6)	2,930	(5.3)	1,870	(5.8)	102.43

(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 - : No

(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: 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, 2014: 21,770,719 shares

As of March 31, 2014: 21,770,719 shares

2) Number of treasury stock at term-end

As of September 30, 2014: 3,514,550 shares

As of March 31, 2014: 3,578,069 shares

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

As of September 30, 2014: 18,229,594 shares

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

Qualitative information related to consolidated operating results

During the first six months of the current fiscal year, despite the negative impact of the rush of demand accompanying the consumption tax hike in the first quarter, domestic net sales increased in the second quarter along with a significant rise in overseas net sales, together amounting 15,819 million yen (increase of 5.0% year-on-year basis).

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

The last-minute rush in demand ahead of the consumption tax hike had an adverse impact on the EIKEN Group's business performance, as sales of microbiological reagents scored 2,327 million yen (down 2.0% year-on-year), clinical chemistry reagents amounted 338 million yen (down 5.2% year-on-year), and sales of equipment, food and environment related culture media category went down to 1,179 million yen (down 1.1% year-on-year). Despite these results, however, sales of reagents for general test went up to 1,082 million yen (up 2.9% year-on-year) in accordance with increased sales of the "URO-PAPER α III 'Eiken'", a dedicated test strip for fully automated urine analyzer. With regard to immunological and serological reagent, sales recorded 9,211 million yen (up 7.3% year-on-year) due to increased sales of reagents for examination of the helicobacter pylori antibody in the blood, and fecal occult blood diagnostic reagents. In the other category (medical devices, genetic related products, etc.), sales of medical devices increased both in Japan and overseas. Also, there was an increase of patent fee income for genetic screening (LAMP method). As a result, sales in this category summed 1,678 million yen (up 11.8% year-on-year).

Sales of both fecal occult blood diagnostic reagents and analyzers increased in America, Europe and Asia; so did sales of fully automated urine analyzers and dedicated test strips to Italy. All these resulted in sales to overseas of 1,238 million yen (up 45.7% year-on-year).

Regarding profit, due to recording of 280 million yen as the research and development expenses projected for the second quarter delayed to the third quarter, operating income was 1,855 million yen (increase of 13.3% year-on-year basis), while ordinary income stood at 1,955 million yen (increase of 15.6% year-on-year basis). Also due to tax rate reduction and decrease in the recorded amount of income taxes after tax system revision in fiscal year 2014, the quarterly net income was 1,349 million yen (increase of 24.4% year-on-year basis).

(2) Qualitative information related to financial position

The financial position at the end of the second quarter consolidated accounting period under review was as follows.

When compared to the end of the previous consolidated fiscal year, total assets increased by 1,342 million yen, while liabilities decreased by 32 million yen. However, net assets increased by 1,375 million yen.

Our equity ratio increased to 67.5% compared to 66.2% at the end of the previous consolidated fiscal year.

Major increases and decreases in the category of assets included a decrease of 2,722 million yen in cash and deposits, but also increases of 1,112 million yen in notes and accounts receivable, and of 2,900 million yen in long-term time deposits, attributable to increased time deposits of over one year. In the category of liabilities, notes and accounts payable and electronically recorded obligations-operating increased by 140 million yen and 248 million yen, respectively, due to an increase in the purchase of stock. Current portion of long-term loans payable decreased by 220 million yen as the result of repayment. Nevertheless, income tax and other taxes payable increased by 259 million due to calculation of income taxes. Net defined benefit liabilities decreased by 475 million yen due to changes including the amendment of accounting standards for retirement benefits. In the category of net assets, despite payment of dividends, retained earnings increased by 1,220 million yen due to the effect of the amendment of accounting standards for retirement benefits, as well as recording of quarterly net income.

(3) Qualitative Information Regarding Forecasts for Consolidated Business Performance

The consolidated business performance forecasts for the fiscal year ending March 31, 2015 to remain unchanged from the business performance forecasts announced on April 28, 2014.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Second Quarter of FY 2015 (As of Sep.30, 2014)	FY 2014 (As of March 31, 2014)
Assets		
Current assets		
Cash and deposits	8,309	11,032
Notes and accounts receivable - trade	10,354	9,242
Securities	100	97
Merchandise and finished goods	3,186	3,301
Work in process	931	914
Raw materials and supplies	810	733
Other	1,381	1,257
Total current assets	25,074	26,579
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,443	14,241
Accumulated depreciation	(10,234)	(10,027)
Buildings and structures, net	4,209	4,213
Machinery, equipment and vehicles	5,061	4,949
Accumulated depreciation	(4,129)	(4,067)
Machinery, equipment and vehicles, net	931	882
Tools, furniture and fixtures	3,164	3,170
Accumulated depreciation	(2,770)	(2,776)
Tools, furniture and fixtures, net	393	394
Land	1,006	1,006
Other, net	356	289
Total property, plant and equipment	6,897	6,786
Intangible assets	542	493
Investments and other assets		
Other	5,230	2,542
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	5,223	2,535
Total non-current assets	12,663	9,815
Total assets	37,737	36,395

(Millions of yen)

	Second Quarter of FY 2015 (As of Sep.30, 2014)	FY 2014 (As of March 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,155	4,014
Electronically recorded obligations - operating	2,529	2,281
Current portion of long-term loans payable	50	270
Income taxes payable	654	394
Provision for bonuses	696	669
Provision for sales returns	4	5
Other	2,264	2,227
Total current liabilities	10,354	9,861
Non-current liabilities		
Long-term accounts payable - other	317	338
Provision for environmental measures	5	5
Asset retirement obligations	32	32
Net defined benefit liability	466	942
Other	907	937
Total non-current liabilities	1,729	2,255
Total liabilities	12,084	12,117
Net assets		
Shareholders' equity		
Capital stock	6,897	6,897
Capital surplus	7,892	7,892
Retained earnings	14,398	13,178
Treasury shares	(3,339)	(3,399)
Total shareholders' equity	25,849	24,568
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	127	125
Foreign currency translation adjustment	183	117
Remeasurements of defined benefit plans	(669)	(725)
Total accumulated other comprehensive income	(357)	(482)
Subscription rights to shares	161	191
Total net assets	25,653	24,278
Total liabilities and net assets	37,737	36,395

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	First six months of FY 2014 (Apr.1,2013- Sep.30,2013)	First six months of FY 2015 (Apr.1,2014- Sep.30,2014)
Net sales	15,065	15,819
Cost of sales	8,854	9,196
Gross profit	6,211	6,622
Selling, general and administrative expenses	4,573	4,767
Operating income	1,638	1,855
Non-operating income		
Interest income	1	8
Dividend income	7	2
Foreign exchange gains	9	26
Foreign Exchange Adjustments	10	34
Subsidy income	14	14
Other	25	28
Total non-operating income	68	114
Non-operating expenses		
Interest expenses	7	4
Depreciation	5	4
Other	1	6
Total non-operating expenses	14	15
Ordinary income	1,692	1,955
Extraordinary income		
Gain on sales of non-current assets	0	—
Gain on liquidation of subsidiaries and associates	—	4
Total extraordinary income	0	4
Extraordinary losses		
Loss on sales and retirement of non-current assets	2	4
Total extraordinary losses	2	4
Income before income taxes and minority interests	1,689	1,955
Income taxes	604	605
Income before minority interests	1,085	1,349
Minority interests in income	—	—
Net income	1,085	1,349

Consolidated statements of comprehensive income

(Millions of yen)

	First six months of FY 2014 (Apr.1,2013- Sep.30,2013)	First six months of FY 2015 (Apr.1,2014- Sep.30,2014)
Income before minority interests	1,085	1,349
Other comprehensive income		
Valuation difference on available-for-sale securities	(108)	2
Foreign currency translation adjustment	45	66
Remeasurements of defined benefit plans, net of tax	—	55
Total other comprehensive income	(62)	124
Comprehensive income	1,022	1,474
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,022	1,474
Comprehensive income attributable to minority interests	—	—

(3) Notes Regarding Going Concern Assumptions

No

Notes Regarding Significant Changes in Shareholders' Equity

No