

## Financial Flash Report for the First Second Quarter of Fiscal Year Ending March 31, 2016 [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, 2015  
 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, 2015 to September 30, 2015)

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

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Sep. 30, 2015	16,297	3.0	1,958	5.6	1,984	1.5	1,262	(6.4)
Six months ended Sep. 30, 2014	15,819	5.0	1,855	13.3	1,955	15.6	1,349	24.4

(Note) Comprehensive income: As of Sep. 30, 2015: 1,264 million yen. (14.3%) As of Sep. 30, 2014: 1,474 million yen. 44.1%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2015	69.09	68.37
Six months ended Sep. 30, 2014	74.05	73.23

### (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, 2015	39,638	27,606	69.2	1,498.72
As of March 31, 2015	37,895	26,639	69.8	1,448.81

(Reference) Shareholders' equity: As of Sep. 30, 2015: 27,420 million yen. As of March 31, 2015: 26,449 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 2015	—	17.00	—	18.00	35.00
Fiscal year ending March 2016	—	20.00			
Fiscal year ending March 2016 (Forecast)			—	20.00	40.00

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

### 3. Forecasts of Consolidated Performance for the Fiscal Year Ending March 31, 2016

(April 1, 2015 to March 31, 2016) (% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	32,820	5.8	3,330	17.8	3,350	11.2	2,180	3.8	119.15

(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.: 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, 2015: 21,770,719 shares  
As of March 31, 2015: 21,770,719 shares  
2) Number of treasury stock at term-end  
As of September 30, 2015: 3,474,489 shares  
As of March 31, 2015: 3,514,679 shares  
3) Average number of shares outstanding during the period - Cumulative total for the quarterly consolidated period -  
As of September 30, 2015: 18,279,413 shares  
As of September 30, 2014: 18,229,594 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 Regarding the Consolidated Performance for the Current Quarter

### (1) Qualitative Information Regarding Consolidated Operating Results

During the second quarter of the consolidated period under review, Japan's economy continued to recover at a gradual pace, where improvement in corporate earnings and employment was achieved thanks to factors such as economic policies implemented by the Government and financial policies implemented by the Bank of Japan. Overseas, while the monetary policy in the United States is normalizing, economic prospects remain uncertain for reasons such as Greece's financial and debt crisis. In addition, regions such as Asian emerging countries, including China, gave signs of an economic downward trend.

In the clinical diagnostics industry, each company requires to seek further cost competitiveness and to develop overseas operations in a proactive manner, as the business environment remains tough due to the Japanese Government's policies for controlling health care costs.

Within this business environment, based on policies defined in our new management framework, "EIKEN ROAD MAP 2009", the Group strove to increase the sales of our major products in Japan and drove further forward the globalization of the Group as a whole, which includes accelerating the overseas market development of fecal immunochemical test reagents, developing a global market for genetic screening (LAMP method) products, and strengthening our production and sales structures in China.

As a result of our above efforts, the net sales for the second quarter (consolidated) went up to 16,297 million yen (up 3.0% year-on-year), as overseas net sales of both fecal immunochemical test reagents and analyzers strongly increased.

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

The sales of microbiological reagents were 2,272 million yen (down 2.4% year-on-year) due to decreased sales of prepared culture media and reagents for POCT. Despite these results, sales of reagents for urinalysis test strips went up to 1,132 million yen (up 4.6% year-on-year) along with increased sales of "UROPAPER" and "UROPAPER α". With regard to immunological and serological reagents, sales recorded 9,596 million yen (up 4.2% year-on-year) due to increased overseas sales of reagents for examination of the helicobacter-pylori antibody in the blood, and fecal immunochemical test reagents. The sales of clinical chemistry reagents were almost unchanged and summed 337 million yen (down 0.6% year-on-year). The sales of equipment, food and environment related culture media category decreased to 1,147 million yen (down 2.8% year-on-year) due to reasons such as price competition. In the other category (medical devices, genetic related products, etc.), sales of medical devices increased and summed 1,811 million yen (up 7.9% year-on-year).

Regarding overseas net sales, sales of both fecal immunochemical test reagents and analyzers in North America and Europe strongly increased and summed 1,756 million yen (up 41.8% year-on-year), in line with the development overseas of the colorectal cancer screening test.

In terms of expenses, the cost of sales ratio increased by 0.4 percentage points year-on-year, due to the proportion change of the lineup. Besides, regarding selling, general and administrative expenses, our efforts to make more efficient use of expenses resulted in a 0.7 percentage point decrease year-on-year in the sales ratio.

Consequently, the operating income summed 1,958 million yen (up 5.6% year-on-year) and the ordinary income summed 1,984 million yen (up 1.5% year-on-year). Furthermore, the recording of quarterly net income attributable to parent company shareholders amounted 1,262 million yen (down 6.4% year-on-year), resulting from a 165 million yen extraordinary loss, which is due to the dismantling cost for the construction of a new manufacturing building at the Nogi Plant.

## (2) Qualitative Information Regarding Consolidated Financial Position

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

When compared to the end of the previous consolidated fiscal year, total assets increased by 1,742 million yen, liabilities increased by 776 million yen and net assets increased by 966 million yen.

Our equity ratio increased to 69.2% compared to 69.8% at the end of the previous consolidated fiscal year.

Major increases and decreases in the category of assets included a decrease of 463 million yen in cash and deposits, but also an increase of 1,038 million yen in notes and accounts receivable from sales growth. The tangible fixed assets increased by 592 million yen. This was mainly due to the 59 million yen construction cost increase for the energy generating building recently constructed at the Nogi Plant, to reinforce the productive capacity. In the category of liabilities, notes and accounts payable and electronically recorded obligations - operating increased respectively by 226 million yen and 193 million yen due to an increase in the purchase of stock. Investment in facilities in line with electronically recorded obligations - non-operating increased by 648 million yen. In the category of net assets, retained earnings increased by 932 million yen due to recording of quarterly net income attributable to parent company shareholders, despite payment of dividends.

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

The consolidated business performance forecasts for the fiscal year ending March 31, 2016 remain unchanged from the business performance forecasts announced on April 27, 2015.

## Quarterly Consolidated Financial Statements

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY 2015 (As of March 31, 2015)	Second Quarter of FY 2016 (As of Sep.30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	9,590	9,127
Notes and accounts receivable - trade	9,756	10,794
Securities	—	99
Merchandise and finished goods	3,255	3,118
Work in process	920	1,027
Raw materials and supplies	790	713
Other	972	1,251
Total current assets	25,285	26,133
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,537	14,868
Accumulated depreciation	(10,286)	(10,056)
Buildings and structures, net	4,251	4,812
Machinery, equipment and vehicles	5,071	5,023
Accumulated depreciation	(4,138)	(4,089)
Machinery, equipment and vehicles, net	933	933
Tools, furniture and fixtures	3,270	3,170
Accumulated depreciation	(2,714)	(2,637)
Tools, furniture and fixtures, net	556	533
Land	1,006	1,006
Other, net	370	425
Total property, plant and equipment	7,118	7,710
Intangible assets	561	613
Investments and other assets		
Other	4,937	5,186
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	4,930	5,180
Total non-current assets	12,610	13,504
Total assets	37,895	39,638

(Millions of yen)

	FY 2015 (As of March 31, 2015)	Second Quarter of FY 2016 (As of Sep.30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	3,964	4,190
Electronically recorded obligations - operating	2,516	2,709
Income taxes payable	511	596
Provision for bonuses	684	701
Provision for sales returns	4	3
Other	2,314	2,823
Total current liabilities	9,995	11,024
Non-current liabilities		
Long-term accounts payable - other	317	46
Provision for environmental measures	3	1
Asset retirement obligations	34	34
Other	905	924
Total non-current liabilities	1,260	1,007
Total liabilities	11,255	12,031
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,897	6,897
Capital surplus	7,892	7,892
Retained earnings	14,838	15,771
Treasury shares	(3,339)	(3,301)
Total shareholders' equity	26,289	27,259
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	150	152
Foreign currency translation adjustment	276	254
Remeasurements of defined benefit plans	(267)	(245)
Total accumulated other comprehensive income	160	161
Subscription rights to shares	190	185
Total net assets	26,639	27,606
<b>Total liabilities and net assets</b>	<b>37,895</b>	<b>39,638</b>

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(Millions of yen)

	First six months of FY 2015 (Apr.1,2014- Sep.30,2014)	First six months of FY 2016 (Apr.1,2015- Sep.30,2015)
Net sales	15,819	16,297
Cost of sales	9,196	9,539
Gross profit	6,622	6,758
Selling, general and administrative expenses	4,767	4,799
Operating income	1,855	1,958
Non-operating income		
Interest income	8	5
Dividend income	2	2
Foreign exchange gains	26	—
Foreign Exchange Adjustments	34	12
Subsidy income	14	—
House rent income	9	10
Other	18	20
Total non-operating income	114	51
Non-operating expenses		
Interest expenses	4	4
Foreign exchange losses	—	9
Depreciation	4	4
Other	6	6
Total non-operating expenses	15	25
Ordinary income	1,955	1,984
Extraordinary income		
Gain on sales of non-current assets	—	0
Gain on liquidation of subsidiaries and associates	4	—
Total extraordinary income	4	0
Extraordinary losses		
Loss on sales and retirement of non-current assets	4	165
Total extraordinary losses	4	165
Income before income taxes and minority interests	1,955	1,818
Income taxes	605	555
Profit	1,349	1,262
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	1,349	1,262

(Millions of yen)

	First six months of FY 2015 (Apr.1,2014- Sep.30,2014)	First six months of FY 2016 (Apr.1,2015- Sep.30,2015)
Profit	1,349	1,262
Other comprehensive income		
Valuation difference on available-for-sale securities	2	2
Foreign currency translation adjustment	66	(22)
Remeasurements of defined benefit plans, net of tax	55	21
Total other comprehensive income	124	1
Comprehensive income	1,474	1,264
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,474	1,264
Comprehensive income attributable to non-controlling interests	—	—