

Financial Flash Report for the First Second Quarter of Fiscal Year Ending March 31, 2017 [Japanese standards] (Consolidated)

Company name: EIKEN CHEMICAL CO., LTD. Listing: TSE, First Section
 Securities code: 4549 URL: <http://www.eiken.co.jp/en/>
 Representative: Morifumi Wada, President & CEO
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 Scheduled filing date of Quarterly Securities Report: November 11, 2016
 Scheduled date of dividend payment: December 1, 2016
 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, 2016 to September 30, 2016)

(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, 2016 | 16,804 | 3.1 | 2,325 | 18.7 | 2,343 | 18.1 | 1,715 | 35.8 |
| Six months ended Sep. 30, 2015 | 16,297 | 3.0 | 1,958 | 5.6 | 1,984 | 1.5 | 1,262 | (6.4) |

(Note) Comprehensive income: As of Sep. 30, 2016: 1,593 million yen. 26.1% As of Sep. 30, 2015: 1,264 million yen. (14.3%)

| | Net income per share | Diluted net income per share |
|--------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended Sep. 30, 2016 | 93.68 | 92.67 |
| Six months ended Sep. 30, 2015 | 69.09 | 68.37 |

(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, 2016 | 42,134 | 29,459 | 69.4 | 1,595.70 |
| As of March 31, 2016 | 39,266 | 28,201 | 71.2 | 1,529.13 |

(Reference) Shareholders' equity: As of Sep. 30, 2016: 29,223 million yen. As of March 31, 2016: 27,977 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 2016 | — | 20.00 | — | 20.00 | 40.00 |
| Fiscal year ending March 2017 | — | 20.00 | | | |
| Fiscal year ending March 2017 (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, 2017

(April 1, 2016 to March 31, 2017) (% 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 | 33,830 | 5.2 | 2,710 | (23.4) | 2,710 | (24.1) | 1,820 | (25.1) | 99.38 |

(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, 2016: 21,770,719 shares
 - As of March 31, 2016: 21,770,719 shares
 - 2) Number of treasury stock at term-end
 - As of September 30, 2016: 3,456,572 shares
 - As of March 31, 2016: 3,474,535 shares
 - 3) Average number of shares outstanding during the period - Cumulative total for the quarterly consolidated period -
 - As of September 30, 2016: 18,308,103 shares
 - As of September 30, 2015 18,279,413 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”

Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | FY 2016 (As of March 31, 2016) | Second Quarter of FY 2017 (As of Sep.30, 2016) |
|--|-----------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,245 | 12,006 |
| Notes and accounts receivable - trade | 10,233 | 10,962 |
| Merchandise and finished goods | 3,086 | 2,976 |
| Work in process | 1,020 | 1,061 |
| Raw materials and supplies | 805 | 833 |
| Other | 1,236 | 1,558 |
| Total current assets | 24,627 | 29,398 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 14,902 | 14,828 |
| Accumulated depreciation | (10,186) | (10,330) |
| Buildings and structures, net | 4,715 | 4,498 |
| Machinery, equipment and vehicles | 5,317 | 5,342 |
| Accumulated depreciation | (4,209) | (4,328) |
| Machinery, equipment and vehicles, net | 1,108 | 1,014 |
| Tools, furniture and fixtures | 3,428 | 3,487 |
| Accumulated depreciation | (2,759) | (2,883) |
| Tools, furniture and fixtures, net | 669 | 604 |
| Land | 995 | 995 |
| Construction in progress | 1,239 | 2,557 |
| Other | 737 | 725 |
| Accumulated depreciation | (398) | (378) |
| Other, net | 338 | 346 |
| Total property, plant and equipment | 9,067 | 10,016 |
| Intangible assets | 637 | 562 |
| Investments and other assets | | |
| Other | 4,941 | 2,163 |
| Allowance for doubtful accounts | (6) | (6) |
| Total investments and other assets | 4,934 | 2,156 |
| Total non-current assets | 14,639 | 12,735 |
| Total assets | 39,266 | 42,134 |

(Millions of yen)

| | FY 2016 (As of March 31, 2016) | Second Quarter of FY 2017 (As of Sep.30, 2016) |
|---|-----------------------------------|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 4,136 | 4,191 |
| Electronically recorded obligations - operating | 2,689 | 2,836 |
| Income taxes payable | 426 | 695 |
| Provision for bonuses | 699 | 702 |
| Provision for sales returns | 4 | 5 |
| Other | 2,153 | 3,211 |
| Total current liabilities | 10,109 | 11,642 |
| Non-current liabilities | | |
| Provision for environmental measures | 0 | — |
| Asset retirement obligations | 33 | 33 |
| Other | 921 | 998 |
| Total non-current liabilities | 956 | 1,032 |
| Total liabilities | 11,065 | 12,674 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,897 | 6,897 |
| Capital surplus | 7,892 | 7,894 |
| Retained earnings | 16,571 | 17,921 |
| Treasury shares | (3,301) | (3,284) |
| Total shareholders' equity | 28,060 | 29,428 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 119 | 108 |
| Foreign currency translation adjustment | 148 | 0 |
| Remeasurements of defined benefit plans | (350) | (312) |
| Total accumulated other comprehensive income | (82) | (204) |
| Subscription rights to shares | 224 | 235 |
| Total net assets | 28,201 | 29,459 |
| Total liabilities and net assets | 39,266 | 42,134 |

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

| | First six months of FY 2016 (Apr.1,2015- Sep.30,2015) | First six months of FY 2017 (Apr.1,2016- Sep.30,2016) |
|--|---|---|
| Net sales | 16,297 | 16,804 |
| Cost of sales | 9,539 | 9,557 |
| Gross profit | 6,758 | 7,246 |
| Selling, general and administrative expenses | 4,799 | 4,921 |
| Operating income | 1,958 | 2,325 |
| Non-operating income | | |
| Interest income | 5 | 4 |
| Dividend income | 2 | 3 |
| House rent income | 10 | 8 |
| Other | 32 | 23 |
| Total non-operating income | 51 | 39 |
| Non-operating expenses | | |
| Interest expenses | 4 | 4 |
| Foreign exchange losses | 9 | 4 |
| Depreciation | 4 | 4 |
| Other | 6 | 6 |
| Total non-operating expenses | 25 | 20 |
| Ordinary income | 1,984 | 2,343 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 0 |
| Gain on sales of investment securities | — | 1 |
| Total extraordinary income | 0 | 1 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 165 | 3 |
| Loss on valuation of investment securities | — | 18 |
| Total extraordinary losses | 165 | 22 |
| Profit before income taxes | 1,818 | 2,322 |
| Income taxes | 555 | 607 |
| Profit | 1,262 | 1,715 |
| Profit attributable to non-controlling interests | — | — |
| Profit attributable to owners of parent | 1,262 | 1,715 |

Consolidated statements of comprehensive income

(Millions of yen)

| | First six months of FY 2016 (Apr.1,2015- Sep.30,2015) | First six months of FY 2017 (Apr.1,2016- Sep.30,2016) |
|--|---|---|
| Profit | 1,262 | 1,715 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2 | △10 |
| Foreign currency translation adjustment | (22) | (147) |
| Remeasurements of defined benefit plans, net of tax | 21 | 37 |
| Total other comprehensive income | 1 | (121) |
| Comprehensive income | 1,264 | 1,593 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,264 | 1,593 |
| Comprehensive income attributable to non-controlling interests | — | — |