

January 27, 2015

Financial Flash Report for the First Third 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 filing date of Quarterly Securities Report: February 10, 2015
 Scheduled date of dividend payment: —
 Supplementary materials for the quarterly financial results: No
 Investor conference for the quarterly financial results: No

(Millions of yen rounded down)

1. Consolidated Performance for the First Third Quarter (April 1, 2014 to December 31, 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	%
Nine months ended Dec. 31, 2014	23,514	3.2	2,161	(13.9)	2,318	(11.2)	1,590	(6.3)
Nine months ended Dec. 31, 2013	22,719	3.0	2,511	7.2	2,611	3.5	1,697	7.3

(Note) Comprehensive income: As of Dec. 31, 2014: 1,838million yen. As of Dec. 31, 2013: 1,686 million yen.

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended Dec. 31, 2014	87.19		86.23	
Nine months ended Dec. 31, 2013	93.32		92.25	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2014	37,188	25,721	68.7	1,399.26
As of March 31, 2014	36,395	24,278	66.2	1,323.98

(Reference) Shareholders' equity: As of Dec. 31, 2014: 25,545 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 ended 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 December 31, 2014: 21,770,719 shares

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

2) Number of treasury stock at term-end

As of December 31, 2014: 3,514,679 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 December 31, 2014: 18,238,431 shares

As of December 31, 2013: 18,188,649 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 nine months of the current fiscal year, domestic net sales increased slightly in the third quarter along with a significant rise in overseas net sales, together amounting 23,514 million yen (increase of 3.2% year-on-year basis).

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

EIKEN Group's business performance, as sales of reagents for general test went up to 1,604 million yen (up 1.5% year-on-year) in accordance with increased sales of the "URO PAPER α III 'Eiken' ", dedicated test strips for fully automated urine analyzer. With regard to immunological and serological reagents, sales recorded 13,478 million yen (up 6.3% year-on-year) due to increased sales of reagents for examination of the helicobacter pylori antibody in the blood, and fecal occult blood test reagents.

On the one hand, sales of microbiological reagents scored 3,613 million yen (down 1.7% year-on-year), clinical chemistry reagents amounted 517 million yen (down 4.3% year-on-year), and sales of equipment, food and environment related culture media category went down to 1,789 million yen (down 0.4% year-on-year).

In the other category (medical devices, genetic related products, etc.), sales of medical devices increased. However, there was a decrease of initial patent fee income for genetic screening (LAMP method). As a result, sales in this category summed 2,511 million yen (down 0.1% year-on-year).

Sales of fecal occult blood test reagents and analyzers increased in America, Europe and Asia; this resulted in sales to overseas of 1,990 million yen (up 48.6% year-on-year).

Regarding profit, due to recording of the research and development expenses to develop new devices, operating income was 2,161 million yen (decrease of 13.9% year-on-year basis), while ordinary income stood at 2,318 million yen (decrease of 11.2% year-on-year basis). Also the quarterly net income was 1,590 million yen (decrease of 6.3% year-on-year basis).

(2) Qualitative information related to financial position

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

When compared to the end of the previous consolidated fiscal year, total assets increased by 793 million yen, while liabilities decreased by 649 million yen. However, net assets increased by 1,443 million yen.

Our equity ratio increased to 68.7% 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 3,144 million yen in cash and deposits, but also increase of 1,944 million yen in notes and accounts receivable, and of 2,400 million yen in long-term time deposits. In the category of liabilities, notes and accounts payable and electronically recorded obligations-operating increased by 84million yen and 346 million yen, respectively, due to an increase in the purchase of stock. Current portion of long-term loans payable decreased by 270 million yen as the result of repayment. Income tax and other taxes payable decreased by 114 million. And provision for bonuses decreased by 327 million. Net defined benefit liabilities decreased by 527 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 1,150 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.

(Millions of yen)

	FY 2014 (As of March 31, 2014)	Third Quarter of FY 2015 (As of Dec.30, 2014)
Assets		
Current assets		
Cash and deposits	11,032	7,887
Notes and accounts receivable - trade	9,242	11,186
Securities	97	—
Merchandise and finished goods	3,301	3,053
Work in process	914	969
Raw materials and supplies	733	838
Other	1,257	987
Total current assets	26,579	24,923
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,241	14,560
Accumulated depreciation	△10,027	△10,337
Buildings and structures, net	4,213	4,223
Machinery, equipment and vehicles	4,949	5,007
Accumulated depreciation	△4,067	△4,073
Machinery, equipment and vehicles, net	882	934
Tools, furniture and fixtures	3,170	3,143
Accumulated depreciation	△2,776	△2,681
Tools, furniture and fixtures, net	394	462
Land	1,006	1,006
Other, net	289	405
Total property, plant and equipment	6,786	7,031
Intangible assets	493	577
Investments and other assets		
Other	2,542	4,662
Allowance for doubtful accounts	△6	△6
Total investments and other assets	2,535	4,655
Total non-current assets	9,815	12,265
Total assets	36,395	37,188

(Millions of yen)

	FY 2014 (As of March 31, 2014)	Third Quarter of FY 2015 (As of Dec.30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,014	4,098
Electronically recorded obligations - operating	2,281	2,628
Current portion of long-term loans payable	270	—
Income taxes payable	394	280
Provision for bonuses	669	342
Provision for sales returns	5	4
Other	2,227	2,419
Total current liabilities	9,861	9,772
Non-current liabilities		
Long-term accounts payable - other	338	317
Provision for environmental measures	5	3
Asset retirement obligations	32	34
Net defined benefit liability	942	415
Other	937	924
Total non-current liabilities	2,255	1,694
Total liabilities	12,117	11,467
Net assets		
Shareholders' equity		
Capital stock	6,897	6,897
Capital surplus	7,892	7,892
Retained earnings	13,178	14,328
Treasury shares	△3,399	△3,339
Total shareholders' equity	24,568	25,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	125	133
Foreign currency translation adjustment	117	274
Remeasurements of defined benefit plans	△725	△642
Total accumulated other comprehensive income	△482	△234
Subscription rights to shares	191	176
Total net assets	24,278	25,721
Total liabilities and net assets	36,395	37,188

(Millions of yen)

	First nine months of FY 2014 (Apr.1,2013- Dec.31,2013)	First nine months of FY 2015 (Apr.1,2014- Dec.31,2014)
Net sales	22,791	23,514
Cost of sales	13,304	13,713
Gross profit	9,486	9,801
Selling, general and administrative expenses	6,975	7,640
Operating income	2,511	2,161
Non-operating income		
Interest income	2	10
Dividend income	9	4
Foreign exchange gains	45	69
Foreign Exchange Adjustments	10	36
Subsidy income	14	14
Other	41	41
Total non-operating income	123	177
Non-operating expenses		
Interest expenses	10	5
Depreciation	8	7
Other	4	6
Total non-operating expenses	22	19
Ordinary income	2,611	2,318
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	38	—
Gain on liquidation of subsidiaries and associates	—	4
Total extraordinary income	38	4
Extraordinary losses		
Loss on sales and retirement of non-current assets	2	14
Total extraordinary losses	2	14
Income before income taxes and minority interests	2,647	2,307
Income taxes	950	717
Income before minority interests	1,697	1,590
Minority interests in income	—	—
Net income	1,697	1,590

(Millions of yen)

	First nine months of FY 2014 (Apr.1,2013- Dec.31,2013)	First nine months of FY 2015 (Apr.1,2014- Dec.31,2014)
Income before minority interests	1,697	1,590
Other comprehensive income		
Valuation difference on available-for-sale securities	△132	7
Foreign currency translation adjustment	122	157
Remeasurements of defined benefit plans, net of tax	-	82
Total other comprehensive income	△10	248
Comprehensive income	1,686	1,838
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,686	1,838
Comprehensive income attributable to minority interests	—	—