

Summary of Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021 [Japanese standards]

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, 2020
 Supplementary materials for the quarterly financial results: Yes
 Investor conference for the quarterly financial results: Yes

(Millions of yen rounded down)

1. Results for the First Six Months of the Fiscal Year Ending March 31, 2021 (April 1, 2020 to September 30, 2020)

(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, 2020	17,727	(6.3)	2,724	(10.5)	2,794	(9.9)	2,151	(8.2)
Six months ended Sep. 30, 2019	18,917	7.2	3,043	19.6	3,101	19.2	2,344	19.0

(Note) Comprehensive income: As of Sep. 30, 2020: 2,190 million yen. (3.5%) As of Sep. 30, 2019: 2,270 million yen. 20.0%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2020	58.31	57.86
Six months ended Sep. 30, 2019	63.56	63.09

(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, 2020	50,460	38,889	76.5	1,045.55
As of March 31, 2020	50,322	37,303	73.5	1,002.86

(Reference) Shareholders' equity: As of Sep. 30, 2020: 38,612 million yen. As of March 31, 2020: 36,987 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 2020	—	13.00	—	17.00	30.00
Fiscal year ending March 2021	—	15.00			
Fiscal year ending March 2021 (Forecast)			—	15.00	30.00

(Note) Revision of dividends forecast for this period: Yes

3. Consolidated Financial Forecast for the Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% 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	34,100	(6.8)	4,100	(11.3)	4,200	(11.1)	3,300	(6.8)	89.36

(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.: 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, 2020: 43,541,438 shares
 - As of March 31, 2020: 43,541,438 shares
 - 2) Number of treasury stock at term-end
 - As of September 30, 2020: 6,610,960 shares
 - As of March 31, 2020: 6,659,760 shares
 - 3) Average number of shares outstanding during the period - Cumulative total for the quarterly consolidated period -
 - As of September 30, 2020: 36,905,282 shares
 - As of September 30, 2019: 36,881,788 shares

*** Implementation status of quarterly review procedures**

This quarterly financial flash report is not the subject of the quarterly review procedures based on the Financial Instruments and Exchange Act.

*** Explanations for the appropriate use of earnings forecasts, and remarks**

Performance forecasts and other forward-looking statements contained in this report are based on information currently available and on certain assumptions deemed rational as of the date of this release. Accordingly, the Company cannot make promises to achieve such forecasts. Actual results could significantly differ from the above forecasts due to a variety of factors.

1. Qualitative information on the second quarter of the fiscal year ending March 31, 2021

(1) Qualitative information regarding consolidated operating results

During the consolidated cumulative second quarter under review, severe conditions continued in the Japanese economy, despite signs of recovery from the impact of COVID-19.

In addition to this external environment, a tough business environment continues in the clinical diagnostics industry due to measures to cap medical expenses. Corporations are being forced to focus on even greater cost competitiveness and to actively expand overseas.

In the context of this business environment, Eiken Chemical Co., Ltd. has established a Medium-term Management Plan, guided by the Company's basic strategy, a management framework called EIKEN ROAD MAP 2019. The Medium-term Management Plan establishes four key measures on which the Eiken Group will work in unison to achieve sustainable growth and enhance profitability. These are: developing foundations to increase management efficiency; promoting global expansion; maintaining domestic sales and increasing market share; and improving research and development ability. Furthermore, the Group seeks to contribute to countermeasures against COVID-19 through the provision of reagents for detecting the virus.

The net sales for the consolidated cumulative second quarter fell to 17,727 million yen (down 6.3% year-on-year). This was mainly due to temporary suspension of examinations and screening programs and a decrease in the number of outpatients due to the spread of COVID-19, despite a significant increase in reagents for detecting the virus.

When breaking down net sales by classes and types of products, the impact of current market conditions caused sales of microbiological testing reagents to decline to 1,988 million yen (down 14.0% year-on-year). As for immunological and serological reagents, sales were 8,736 million yen (down 20.1% year-on-year), and sales for clinical chemistry reagents were 303 million yen (down 3.1% year-on-year). Sales in the equipment and culture medium for food and environment related category amounted to 1,057 million yen (down 5.2% year-on-year). In the area of urinalysis reagents, the increase in sales of urinalysis test strips overseas covered the decrease in sales in Japan, resulting in sales of 1,685 million yen (up 4.2% year-on-year). In other category (medical devices, genetic-related products, etc.), the significant increase in reagents for detecting COVID-19 and genetic testing devices led to sales of 3,955 million yen (up 50.9% year-on-year).

Overseas, although sales of urinalysis reagents/analyzers increased, sales of fecal immunochemical test reagents/analyzers fell due to the decline in the number of participants in the screening programs of each country, and to temporary suspension of the programs. This resulted in total sales of 2,897 million yen (down 17.7% year-on-year).

In terms of earnings, although the Group strove to reduce expenses such as selling expenses, the decrease in revenue caused earnings to fall. Operating income fell to 2,724 million yen (down 10.5% year-on-year) and ordinary income decreased to 2,794 million yen (down 9.9% year-on-year). Profit attributable to owners of parent amounted to 2,151 million yen (down 8.2% year-on-year).

(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 138 million yen, liabilities decreased by 1,447 million yen and net assets increased by 1,585 million yen.

Major increases and decreases in the category of assets included a decrease of 2,124 million yen in cash and deposits, an increase of 583 million yen in notes and accounts receivable - trade, an increase of 392 million yen in inventories, and an increase of 1,100 million yen in long-term time deposits. In the category of liabilities, notes and accounts payable - trade and electronically recorded obligations - operating decreased respectively by 652 million yen and 120 million yen. In the category of net assets, retained earnings increased by 1,524 million yen due to recording of profit attributable to owners of parent, despite payment of dividends. Our equity ratio increased to 76.5% compared to 73.5% at the end of the previous consolidated fiscal year.

(3) Qualitative information regarding forecasts for consolidated business performance

Regarding the full-year forecast for consolidated business results in the year ending March 31, 2021, we had refrained from announcing a forecast due to the inability to make rational calculations as the result of the impact of the global pandemic caused by COVID-19. However, as economic activities have resumed while coexisting with COVID-19, we have determined that a rational forecast can be made for the full year. From April to June, business results worsened rapidly due to the impact of temporary suspension of medical examination businesses and decrease in the number of outpatients on a global scale. Then, from July, trends have gradually shifted to a recovery together with the resumption of economic activities. Nevertheless, factors such as a second wave of COVID-19 continue to create uncertainty regarding how the economy will be impacted. Therefore, while continuing to consider fluctuation risks in our business results similar to the first half of this fiscal year, we forecast full-year net sales of 34,100 million yen.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY03/2020 (As of March 31, 2020)	2Q of FY03/2021 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	10,098	7,974
Notes and accounts receivable - trade	11,017	11,601
Merchandise and finished goods	4,342	4,553
Work in process	1,460	1,477
Raw materials and supplies	1,371	1,535
Other	618	736
Allowance for doubtful accounts	(4)	(4)
Total current assets	28,903	27,873
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,223	19,367
Accumulated depreciation	(11,151)	(11,446)
Buildings and structures, net	8,071	7,921
Machinery, equipment and vehicles	6,159	6,317
Accumulated depreciation	(4,936)	(5,105)
Machinery, equipment and vehicles, net	1,222	1,211
Tools, furniture and fixtures	3,852	3,948
Accumulated depreciation	(3,269)	(3,366)
Tools, furniture and fixtures, net	582	581
Land	1,931	1,931
Leased assets	425	368
Accumulated depreciation	(236)	(190)
Leased assets, net	188	177
Construction in progress	43	163
Total property, plant and equipment	12,041	11,987
Intangible assets	1,019	1,124
Investments and other assets		
Long-term time deposits	1,900	3,000
Other	6,474	6,491
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	8,357	9,475
Total non-current assets	21,418	22,587
Total assets	50,322	50,460

(Millions of yen)

	FY03/2020 (As of March 31, 2020)	2Q of FY03/2021 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,586	3,934
Electronically recorded obligations - operating	2,738	2,618
Income taxes payable	702	816
Provision for bonuses	745	726
Provision for sales returns	5	5
Other	2,962	2,171
Total current liabilities	11,740	10,271
Non-current liabilities		
Asset retirement obligations	33	33
Other	1,245	1,266
Total non-current liabilities	1,278	1,299
Total liabilities	13,018	11,571
Net assets		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus	7,935	7,973
Retained earnings	25,302	26,827
Treasury shares	(3,165)	(3,142)
Total shareholders' equity	36,969	38,556
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	23
Foreign currency translation adjustment	16	31
Remeasurements of defined benefit plans	(22)	0
Total accumulated other comprehensive income	17	55
Share acquisition rights	316	276
Total net assets	37,303	38,889
Total liabilities and net assets	50,322	50,460

(2) Consolidated Statements of Income

(Millions of yen)

	First six months of FY03/2020 (Apr.1,2019- Sep.30,2019)	First Six months of FY03/2021 (Apr.1,2020- Sep.30,2020)
Net sales	18,917	17,727
Cost of sales	10,546	9,774
Gross profit	8,370	7,953
Selling, general and administrative expenses	5,326	5,228
Operating profit	3,043	2,724
Non-operating income		
Interest income	3	8
Dividend income	3	1
Rental income	7	7
Compensation income	3	36
Subsidy income	21	—
Other	28	20
Total non-operating income	68	74
Non-operating expenses		
Interest expenses	2	1
Loss on valuation of investment securities	—	1
Commission expenses	5	—
Other	2	1
Total non-operating expenses	10	4
Ordinary profit	3,101	2,794
Extraordinary income		
Gain on sales of non-current assets	0	—
Gain on sales of investment securities	33	—
Settlement received	—	110
Total extraordinary income	33	110
Extraordinary losses		
Loss on sales and retirement of non-current assets	11	27
Total extraordinary losses	11	27
Profit before income taxes	3,124	2,877
Income taxes	780	725
Profit	2,344	2,151
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	2,344	2,151

Consolidated statements of comprehensive income

(Millions of yen)

	First six months of FY03/2020 (Apr.1,2019- Sep.30,2019)	First Six months of FY03/2021 (Apr.1,2020- Sep.30,2020)
Profit	2,344	2,151
Other comprehensive income		
Valuation difference on available-for-sale securities	(23)	0
Foreign currency translation adjustment	(81)	14
Remeasurements of defined benefit plans, net of tax	31	23
Total other comprehensive income	(73)	38
Comprehensive income	2,270	2,190
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,270	2,190
Comprehensive income attributable to non-controlling interests	—	—