



## Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]

April 28, 2023

Company name: EIKEN CHEMICAL CO.,LTD.

Stock exchange listing: Tokyo

Code number: 4549

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Scheduled date of Annual General Meeting of Shareholders: June 27, 2023

Scheduled date of commencing dividend payments: June 8, 2023

Scheduled date of filing annual securities report: June 28, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

(Amounts of less than one millions of yen are rounded down.)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

#### (1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	43,271	0.6	7,457	(11.1)	7,568	(11.0)	5,736	(7.8)
March 31, 2022	42,996	11.2	8,387	26.8	8,508	25.0	6,218	23.3

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ 5,595 million [ (11.0) %]  
Fiscal year ended March 31, 2022: ¥ 6,290 million [ 14.2 %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	155.17	153.86	12.1	11.8	17.2
March 31, 2022	168.28	167.01	14.3	14.4	19.5

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥ - million  
Fiscal year ended March 31, 2022: ¥ - million

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	66,275	49,535	74.2	1,327.47
March 31, 2022	62,512	45,803	72.8	1,230.55

(Reference) Equity: As of March 31, 2023: ¥ 49,154 million  
As of March 31, 2022: ¥ 45,486 million

#### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	7,575	(316)	(2,095)	16,064
March 31, 2022	7,769	(5,044)	1,200	10,900

Fiscal Year ended March 31, 2022:	36,955,394 shares
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(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	43,195	0.7	7,514	(11.0)	7,613	(10.6)	5,781	(7.2)
March 31, 2022	42,915	11.1	8,446	26.6	8,515	24.6	6,231	22.9

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	156.40	155.08
March 31, 2022	168.62	167.34

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	66,404	49,667	74.2	1,331.05
March 31, 2022	62,469	45,755	72.7	1,229.25

(Reference) Equity: As of March 31, 2023: ¥ 49,287 million  
As of March 31, 2022: ¥ 45,438 million

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## 1. Overview of Consolidated Business Performance

### (1) Summary of Consolidated Business Performance for This Term

During the consolidated fiscal year under review, although the Japanese economy showed signs of recovery as the relaxation of restriction of economic activity continued, the outlook remained uncertain due to the repeated waves of COVID-19 outbreaks (the sixth to eighth waves), and increased consumption and soaring prices as the COVID-19 had been contained. The overseas economies remained unstable due to surging resource prices triggered by Russia's military invasion of Ukraine, interest rate hikes to control inflation, and the depreciation of the Japanese yen.

The business environment became even tougher in the clinical diagnostics industry due to measures to cap medical expenses and the rise in costs of resource, logistics, raw material procurement, etc., amid COVID-19 pandemic. Corporations are being forced to focus on greater cost competitiveness and to actively expand overseas.

In the context of this business environment, the Eiken Group is implementing key measures focused on the three key business fields of "Contribution to cancer prevention and treatment," "Contribution to the eradication and control of infectious diseases," and "Provision of products and services useful for health care" and striving to achieve sustainable growth and steadily enhance profitability for the Group as a whole, in accordance with the Medium-term Management Plan established based on the Group's management framework "EIKEN ROAD MAP 2030."

In addition, as a Group with a mission to protect the health of people worldwide, the Eiken group is addressing issues not only in "Medical" but also in the "Environment," "Society," and "Governance." By contributing to solutions to social issues in this way, we strive to further enhance our corporate value and achieve a sustainable society.

The net sales for the consolidated fiscal year under review went up to 43,271 million yen (up 0.6% year-on-year). Although sales of COVID-19 genetic testing reagents using the LAMP method decreased due to a sharp decline in the number of newly infected patients of COVID-19 during the fourth quarter ended March 2023, sales of urinalysis reagents and immunological and serological reagents increased due to the resumption of various medical checkups and screening programs and continued recovery trend in outpatient volume.

For net sales by product class and type, sales of microbiological testing reagents increased to 3,938 million yen (up 0.3% year-on-year) due to the recovery of tests for infectious diseases other than COVID-19. As for urinalysis reagents, sales were 4,143 million yen (up 9.5% year-on-year) due to significantly growing sales of urinalysis paper for overseas markets. Sales for immunological and serological reagents were 20,717 million yen (up 0.6% year-on-year). Although domestic sales of fecal immunological test reagents and enzyme immunoassay equipment (AIA) related reagents, a distribution agreement with Tosoh Corporation increased, fecal immunological test reagents for overseas markets declined. Sales for clinical chemistry reagents were 590 million yen (down 1.4% year-on-year). Sales for the equipment and culture medium for food and environment-related category amounted to 2,165 million yen (down 3.9% year-on-year). Sales in other category (medical devices, genetic-related products, etc.) fell to 11,716 million yen (down 1.1% year-on-year) due to decreased sales for COVID-19 detection reagents.

Overseas sales were 8,797 million yen (down 0.8% year-on-year) as sales for fecal immunochemical test reagents decreased due to a buildup of inventories in preparation for the resumption of screening programs and the subsequent inventory adjustments, while sales for urinalysis reagents increased.

Regarding profit, operating profit was 7,457 million yen (down 11.1% year-on-year), and ordinary profit was 7,568 million yen (down 11.0% year-on-year) and profit attributable to owners of parent was 5,736 million yen (down 7.8% year-on-year).

### (2) Summary of Consolidated Financial Position for This Term

The financial position at the end of the consolidated fiscal year under review was as follows.

When compared to the end of the previous consolidated fiscal year, total assets increased by 3,763 million yen, liabilities increased by 31 million yen, and net assets increased by 3,731 million yen.

Major increases and decreases in the category of assets include an increase of 2,195 million yen in cash and deposits and a decrease of 834 million yen in notes and accounts receivable - trade, and contract assets, and an increase of 1,926 million yen in property, plant and equipment due to opening of a new research building. In the category of liabilities, notes and accounts payable - trade increased by 189 million yen, and income taxes payable decreased by 477 million yen. In addition, other in current liabilities increased by 238 million yen. In the category of net assets, despite the payment of dividends, retained earnings increased by 3,703 million yen due to the recording of profit attributable to owners of parent. The equity ratio increased to 74.2% from 72.8% at the end of the previous consolidated fiscal year.

### (3) Summary of Cash Flows for This Term

Cash and cash equivalents for the consolidated fiscal year under review (hereinafter referred to as “net cash”) increased by 5,164 million yen compared to the end of the previous consolidated fiscal year to 16,064 million yen on March 31, 2023.

The following is a summary of cash flows and related causes for the consolidated fiscal year under review.

#### Cash flows from operating activities

Net cash provided by operating activities was 7,575 million yen (compared to the net cash proceed of 7,769 million yen in the previous consolidated fiscal year). This was mainly due to an 835 million yen proceed due to decreased trade receivables, a 180 million yen expenditure caused by an increase in inventories, a 161 million yen proceed caused by an increase in trade payables, and 7,592 million yen in profit before income taxes.

Depreciation totaled 2,125 million yen.

#### Cash flows from investing activities

Net cash used in investing activities was an expenditure of 316 million yen (compared to the net cash expenditure of 5,044 million yen in the previous consolidated fiscal year). This was mainly due to 3,206 million yen in purchase of property, plant and equipment through investment in the construction of a new research building, etc., proceeds from redemption of investment securities of 3,000 million yen, 5,253 million yen in payments into time deposits, and 5,224 million yen in proceeds from withdrawal of time deposits.

#### Cash flows from financing activities

Net cash used in financing activities was 2,095 million yen (compared to the net cash proceed of 1,200 million yen in the previous consolidated fiscal year). This was mainly due to dividends paid of 2,033 million yen.

#### (Reference) Change in cash flow related indicators

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	73.5	73.5	74.3	72.8	74.2
Equity ratio based on fair value (%)	203.3	144.5	143.5	102.1	87.3
Years of debt redemption (Years)	0.1	0.1	0.1	0.2	0.4
Interest coverage ratio (Times)	423.2	1,118.2	1,908.2	983.3	468.5

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on fair value: Total market value of shares / Total assets

Years of debt redemption: Interest-bearing debts / Cash flow

Interest coverage ratio: Cash flow / Interest paid

(Note 1) The indicators were calculated using consolidated financial figures.

(Note 2) The total market value of shares was calculated based on the total number of issued shares

(excluding treasury shares).

(Note 3) Operating cash flow is used in Cash Flows.

(Note 4) Interest-bearing debts include all debts recorded on the Consolidated Balance Sheets for which interest is paid.

#### (4) Future Prospects

Regarding future prospects, the unstable global situation triggered by Russia's military invasion of Ukraine, hiking raw material and utility costs due to higher resource prices, and inflation control measures in various countries will likely continue to cause difficult conditions.

Under such circumstances, to respond to the unfolding changes in its business environment and operate from a perspective of sustainability management, the Group has revamped its existing management framework, "EIKEN ROAD MAP 2019." The road map is redefined as "EIKEN ROAD MAP 2030," with 2030 as the target year for its fulfillment. "EIKEN ROAD MAP 2030" identifies the Group's existing business domains as its core businesses while specifying three areas as key business fields: "Contribution to cancer prevention and treatment," "Contribution to the eradication and control of infectious diseases," and "Provision of products and services useful for health care." In the field of "cancer," we will focus on areas that are more directly related to treatment, while in the field of "infectious diseases," we will focus on establishing simpler testing technologies. In the field of "healthcare," the Group will expand its products and services to serve the needs of remote diagnosis and home testing. In the Medium-Term Management Plan (FY2022–FY2024), the Group will develop key measures with a focus on principal fields.

With a view to establishing a sustainable society, the Group has identified 11 materialities (key issues) for priority response and is deploying detailed action plans for each. The Group sets key performance indicators (KPIs) for each materiality and proceeds with each materiality while monitoring progress toward achievement. As a Group with a mission to protect the health of people worldwide, the Group is addressing issues not only in "Medical" but also in the "Environment," "Society," and "Governance." We believe that contributing solutions to social issues in this way will further bolster our corporate value and lead to achieving a sustainable society.

Regarding our performance forecast for the next fiscal year, we assume that demand for genetic testing for COVID-19 (COVID-19 detection reagents) will decrease from the fiscal year ended March 31, 2023, therefore, we forecast net sales of 42,000 million yen (down 2.9% year-on-year). Regarding profit, we forecast operating profit of 5,380 million yen (down 27.9% year-on-year), ordinary profit of 5,400 million yen (down 28.7% year-on-year), and profit attributable to owners of parent of 4,250 million yen (down 25.9% year-on-year) due to a decrease in sales of high-profit COVID-19 detection reagent products and income from patent rights for the LAMP method alongside an increase in expenses from investment for research and development and investment to bolster management fundamentals.

Overseas, we forecast net sales of 10,270 million yen (up 16.7% year-on-year) and a sales ratio of 24.5%.

(5) Policy on the Determination of Dividends from Surplus, etc.

The Company regards distribution of profits to its shareholders as one of the most important management issues. Our Company's basic policies are to implement a stable dividend policy based on consideration for enhancing internal reserves required for reinforcement of our financial base and active business development, and to distribute profits by paying stable dividends twice annually in the form of an interim dividend and a year-end dividend. Specifically, based on the above-mentioned policies, the Company endeavors to maintain dividends with a goal of 30% or higher for its consolidated dividend payout ratio. In its Articles of Incorporation, the Company has set the decision-making body regarding dividends from surplus as follows: "Dividends from surplus, etc., can be distributed by a resolution of the Board of Directors in accordance with regulations of Article 459, Paragraph 1 of the Companies Act."

As announced on April 28, 2023 in the "Dividends from Surplus (Dividend Increase)," the year-end dividend for the current fiscal year has been revised to 27 yen per share. This is an increase of 3 yen per share from the most recent dividend forecast of 24 yen per share. This increase is due to meet our shareholders' ongoing support and clarify our basic policy. As we have already paid an interim dividend of 24 yen on December 1, 2022, dividends on an annual basis will amount to 51 yen per share.

In regard to per share dividends for the next fiscal year, we forecast ordinary dividends consisting of an interim dividend of 25 yen and a year-end dividend of 26 yen. Internal reserves will be used effectively from a mid to long-term perspective in investment for R&D aimed at strengthening our business structure, facilities investment, and efforts to improve business efficiency.

2. Basic Stance Concerning Choice of Accounting Standards

Taking into consideration the comparability of consolidated financial statements across periods and among companies, the Group prepares its consolidated financial statements using Japanese GAAP.

Regarding application of International Financial Reporting Standards, the Group's policy is to deliberate in consideration of the future situation in Japan and overseas.



### 3. Consolidated Financial Statements and Principal Notes

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	16,121	18,317
Notes and accounts receivable - trade, and contract assets	11,956	11,122
Lease receivables	12	-
Investments in leases	323	337
Merchandise and finished goods	4,673	4,739
Work in process	1,736	1,940
Raw materials and supplies	1,821	1,733
Other	398	1,033
Allowance for doubtful accounts	(4)	(6)
Total current assets	37,039	39,217
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,090	25,367
Accumulated depreciation	(12,343)	(13,117)
Buildings and structures, net	7,747	12,249
Machinery, equipment and vehicles	6,936	7,155
Accumulated depreciation	(5,434)	(5,765)
Machinery, equipment and vehicles, net	1,501	1,390
Tools, furniture and fixtures	4,562	5,027
Accumulated depreciation	(3,874)	(3,950)
Tools, furniture and fixtures, net	688	1,076
Land	1,931	1,928
Leased assets	299	329
Accumulated depreciation	(195)	(154)
Leased assets, net	103	174
Construction in progress	3,302	382
Total property, plant and equipment	15,275	17,202
Intangible assets	1,350	1,054
Investments and other assets		
Investment securities	3,614	586
Long-term time deposits	1,900	4,900
Retirement benefit asset	1,512	1,448
Deferred tax assets	583	551
Other	1,250	1,349
Allowance for doubtful accounts	(14)	(34)
Total investments and other assets	8,847	8,802
Total non-current assets	25,473	27,058
Total assets	62,512	66,275

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,495	4,685
Electronically recorded obligations - operating	2,961	2,933
Lease liabilities	393	390
Income taxes payable	1,305	827
Provision for bonuses	776	766
Other	2,601	2,839
Total current liabilities	12,533	12,443
Non-current liabilities		
Bonds payable	3,000	3,000
Lease liabilities	798	919
Asset retirement obligations	34	34
Other	342	342
Total non-current liabilities	4,175	4,296
Total liabilities	16,708	16,740
<b>Net assets</b>		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus	8,000	8,076
Retained earnings	33,162	36,865
Treasury shares	(3,126)	(3,095)
Total shareholders' equity	44,934	48,743
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33	28
Foreign currency translation adjustment	258	268
Remeasurements of defined benefit plans	259	115
Total accumulated other comprehensive income	551	411
Share acquisition rights	316	380
Total net assets	45,803	49,535
Total liabilities and net assets	62,512	66,275

## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	42,996	43,271
Cost of sales	22,431	22,765
Gross profit	20,564	20,506
Reversal of provision for sales returns	8	-
Gross profit - net	20,572	20,506
Selling, general and administrative expenses	12,184	13,049
Operating profit	8,387	7,457
Non-operating income		
Interest income	18	15
Dividend income	2	3
Rental income	19	18
Compensation income for damage	-	38
Compensation income	12	8
Outsourcing service income	31	9
Subsidy income	17	10
Foreign exchange gains	32	14
Other	28	35
Total non-operating income	164	154
Non-operating expenses		
Interest expenses	7	16
Bond issuance costs	22	-
Loss on redemption of investment securities	-	13
Compensation expenses	9	9
Other	3	3
Total non-operating expenses	43	42
Ordinary profit	8,508	7,568
Extraordinary income		
Gain on sale of non-current assets	1	24
Gain on sale of investment securities	-	56
Total extraordinary income	1	81
Extraordinary losses		
Loss on sale and retirement of non-current assets	27	57
Total extraordinary losses	27	57
Profit before income taxes	8,482	7,592
Income taxes - current	2,087	1,758
Income taxes - deferred	176	97
Total income taxes	2,263	1,856
Profit	6,218	5,736
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	6,218	5,736

# Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	6,218	5,736
Other comprehensive income		
Valuation difference on available-for-sale securities	4	(5)
Foreign currency translation adjustment	146	9
Remeasurements of defined benefit plans, net of tax	(78)	(144)
Total other comprehensive income	71	(140)
Comprehensive income	6,290	5,595
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,290	5,595
Comprehensive income attributable to non-controlling interests	-	-

### (3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,897	7,973	29,166	(3,142)	40,895
Cumulative effects of changes in accounting policies			(523)		(523)
Restated balance	6,897	7,973	28,642	(3,142)	40,372
Changes during period					
Dividends of surplus			(1,699)		(1,699)
Profit attributable to owners of parent			6,218		6,218
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		27		16	43
Net changes in items other than shareholders' equity					
Total changes during period	-	27	4,519	16	4,562
Balance at end of period	6,897	8,000	33,162	(3,126)	44,934

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	29	112	338	479	296	41,672
Cumulative effects of changes in accounting policies						(523)
Restated balance	29	112	338	479	296	41,149
Changes during period						
Dividends of surplus						(1,699)
Profit attributable to owners of parent						6,218
Purchase of treasury shares						(0)
Disposal of treasury shares						43
Net changes in items other than shareholders' equity	4	146	(78)	71	19	91
Total changes during period	4	146	(78)	71	19	4,654
Balance at end of period	33	258	259	551	316	45,803

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,897	8,000	33,162	(3,126)	44,934
Changes during period					
Dividends of surplus			(2,033)		(2,033)
Profit attributable to owners of parent			5,736		5,736
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		75		30	105
Net changes in items other than shareholders' equity					
Total changes during period	-	75	3,703	30	3,808
Balance at end of period	6,897	8,076	36,865	(3,095)	48,743

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	33	258	259	551	316	45,803
Changes during period						
Dividends of surplus						(2,033)
Profit attributable to owners of parent						5,736
Purchase of treasury shares						(0)
Disposal of treasury shares						105
Net changes in items other than shareholders' equity	(5)	9	(144)	(140)	63	(76)
Total changes during period	(5)	9	(144)	(140)	63	3,731
Balance at end of period	28	268	115	411	380	49,535

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	8,482	7,592
Depreciation	2,058	2,125
Increase (decrease) in allowance for doubtful accounts	(0)	21
Increase (decrease) in provision for sales returns	(8)	-
Increase (decrease) in provision for bonuses	13	(10)
Decrease (increase) in retirement benefit asset	(114)	(118)
Share-based payment expenses	63	63
Interest and dividend income	(21)	(18)
Interest expenses	7	16
Foreign exchange losses (gains)	(0)	0
Compensation income	(12)	(8)
Compensation expenses	9	9
Subsidy income	(17)	(10)
Loss (gain) on sale and retirement of property, plant and equipment	25	33
Loss (gain) on sale of investment securities	-	(56)
Decrease (increase) in trade receivables	(406)	835
Decrease (increase) in inventories	(449)	(180)
Decrease (increase) in other current assets	(5)	(533)
Decrease (increase) in other investments	3	2
Increase (decrease) in trade payables	774	161
Increase (decrease) in other current liabilities	(482)	(111)
Other, net	(18)	(28)
Subtotal	9,901	9,785
Interest and dividends received	25	23
Interest paid	(1)	(16)
Proceeds from insurance income	6	4
Income taxes paid	(2,162)	(2,224)
Income taxes refund	-	3
Net cash provided by (used in) operating activities	7,769	7,575
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,428)	(3,206)
Proceeds from sale of property, plant and equipment	1	27
Purchase of intangible assets	(465)	(72)
Payments for retirement of non-current assets	(2)	(17)
Purchase of investment securities	(201)	-
Proceeds from sale of investment securities	-	61
Proceeds from redemption of investment securities	80	3,000
Payments into time deposits	(2,231)	(5,253)
Proceeds from withdrawal of time deposits	2,231	5,224
Purchase of insurance funds	-	(100)
Proceeds from cancellation of insurance funds	-	100
Other payments	(28)	(79)
Net cash provided by (used in) investing activities	(5,044)	(316)

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from financing activities		
Proceeds from issuance of bonds	3,000	-
Proceeds from (payments for) disposition (purchase) of treasury stock	(0)	(0)
Dividends paid	(1,699)	(2,033)
Other, net	(100)	(62)
Net cash provided by (used in) financing activities	1,200	(2,095)
Effect of exchange rate change on cash and cash equivalents	6	0
Net increase (decrease) in cash and cash equivalents	3,931	5,164
Cash and cash equivalents at beginning of period	6,968	10,900
Cash and cash equivalents at end of period	10,900	16,064



(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Material basis for the preparation of consolidated financial statements)

1. The scope of consolidation

(1) Number and name of consolidated subsidiaries: 1

EIKEN CHINA CO., LTD.

(2) Number and name of the principal non-consolidated subsidiary

Not applicable.

2. Equity method

Not applicable.

3. Accounting period of consolidated subsidiaries

The fiscal closing date of consolidated subsidiary which is EIKEN CHINA CO., LTD. is December 31.

Consolidated financial statements are prepared by implementing closing (provisional closing) in accordance with reasonable procedures based on formal closing.

4. Accounting policies

(1) Valuation standards and methods for significant assets

1) Securities

a. Held-to-maturity debt securities

Stated at amortized cost (straight-line method)

b. Available-for-sale securities

Securities other than shares, etc., which do not have a market price

Market value method

(The valuation difference is directly included in net assets, and cost of sales is determined by the moving-average method.)

Shares, etc., which do not have a market price

Principally the cost method by the moving-average method

2) Derivative financial instruments

Market value method

3) Inventories

Merchandise and finished goods, raw materials, and work in process

Cost method by the moving-average method (carrying amount on the consolidated balance sheet calculated by writing down values based on decreased profitability) is adopted.

Supplies

Cost method by the last purchase price method (carrying amount on the consolidated balance sheet calculated by writing down values based on decreased profitability) is adopted.

(2) Depreciation method of significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiaries adopt the declining-balance method, and overseas consolidated subsidiaries adopt the straight-line method.

However, the straight-line method is adopted for buildings purchased on or after April 1, 1998 (excluding facilities attached to buildings), and for facilities attached to buildings and structures purchased on or after April 1, 2016.

Major useful lives are as follows:

Buildings and structures: 7-40 years

Machinery, equipment, and vehicles: 4-10 years

Tools, furniture and fixtures 2-15 years

2) Intangible assets (excluding leased assets)

Straight-line method

For internal use software, the straight-line method based on amortization over the internally estimated useful lives (5 years) is adopted.

3) Leased assets

Leased assets are depreciated over the lease terms as useful lives using the straight-line method without any residual value.

(3) Accounting standards for significant reserves and allowances

1) Allowance for doubtful accounts

In order to prepare for possible credit losses on trade receivables, etc., the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and specific collectability for specific doubtful receivables are recorded.

2) Provision for bonuses

In order to prepare for payments of bonuses to the employees, the estimated payable amount to be used in the future attributable to the consolidated fiscal year under review is recorded as provision for bonuses.

(4) Accounting method for retirement benefits

1) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the method of attributing the estimated amount of retirement benefits to the periods up to the end of the consolidated fiscal year under review is based on the benefit formula basis.

2) Accounting method for actuarial difference and past service cost

Past service cost is expensed using the straight-line method over a period of definite years (3 years) within the employees' average remaining service years at the time when it is incurred.

Actuarial differences are accounted for as expenses over a certain number of years within the average remaining years of service of the corresponding employees (12 years) using the straight-line method, commencing with the consolidated fiscal year following the one in which they were incurred.

3) The accounting methods of unrecognized actuarial gain and loss and unrecognized past service cost

For the accounting methods of unrecognized actuarial gain and loss and unrecognized past service cost, after adjusting tax effect, they are recorded as remeasurements of defined benefit plans under accumulated other comprehensive income in net assets.

(5) Significant revenue and expense recognition standards

1) Sales of merchandise and finished goods

Sales of merchandise and finished goods include the manufacture and sale of clinical diagnostic reagents and clinical diagnostic equipment. The Company principally recognizes revenue from sales of merchandise and finished goods when making delivery of the goods to a customer as it satisfies a performance obligation by transferring control of the goods to a customer based on receipt of the goods. For clinical diagnostic equipment which requires installation at the time of sale, the Company recognizes revenue at inspection of installed equipment as it satisfies a performance obligation by transferring control of the goods to a customer based on inspection by a customer.

2) Royalty revenue

Royalty revenue includes upfront payment based on license agreement etc., milestone revenues, and running royalty calculated based on net sales etc. For upfront payment, the Company recognizes revenue at customers' receipt of the right which the Company promised to transfer to a customer based on the contract. For milestone revenues, the Company recognizes revenue at achievement of the milestone defined in the contract. For running royalty calculated based on net sales etc., the Company recognizes revenue when sales or usage occur, or it satisfies a performance obligation for which sales-based or usage-based royalty is allocated, whichever is later.

(6) Translation of significant foreign currency denominated assets and liabilities into Japanese yen

Foreign currency denominated monetary receivables and payables are translated into Japanese yen using the spot exchange rate on the closing date and the translation difference is charged or credited to income.

The assets, liabilities, income, and expenses of overseas subsidiaries and affiliates are translated into yen at the year-end spot exchange rate, and translation adjustments are included in foreign currency translation adjustments in net assets.

(7) Significant hedge accounting method

1) Hedge accounting method

The appropriation procedure is adopted to foreign exchange fluctuation risk hedging that satisfies the relevant requirements.

2) Hedging instruments and hedged items, hedging policy

The risks of foreign exchange fluctuation are hedged in accordance with the Company's rules.

Hedging instruments and hedged items where hedge accounting was applied for the consolidated fiscal year under review are as follows.

Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency denominated accounts payable, foreign currency denominated accounts payable - other

3) Assessment of hedge effectiveness

For forward exchange contracts, hedged items with the same date and amount and denominated in the same currency are allocated to each account payable, accounts payable – other. Therefore, the correlation by foreign exchange fluctuation thereafter is ensured completely, and the assessment of hedge effectiveness is omitted.

(8) Funds covered by consolidated statements of cash flows

Funds (cash and cash equivalents) as used in the consolidated statements of cash flows comprises cash on hand, deposits available for withdrawal as needed, and short-term investments due for redemption within three months from the date of acquisition, which are easily cashable and are subject to minimal risk of fluctuation in value.

(Notes to Consolidated Balance Sheets)

- \*1. Receivables from contracts with customers in notes and accounts receivable - trade and contract assets are as follows.

	(Million yen)	
	As of March 31, 2022	As of March 31, 2023
Notes	501	497
Accounts receivable - trade	11,222	10,398

- \*2. Contract liabilities in other is as follows.

	(Million yen)	
	As of March 31, 2022	As of March 31, 2023
Contract liability	118	30

- \*3. Overdraft contracts and commitment lines are concluded for efficient procurement of working capital. The balance of unexecuted loans based on these contracts is as follows.

	(Million yen)	
	As of March 31, 2022	As of March 31, 2022
Total of overdraft maximum amount and commitment lines	5,400	5,400
Outstanding borrowings	-	-
Difference	5,400	5,400

(Notes to Consolidated Statements of Income)

- \*1. Revenue from contracts with customers is not presented independently. Revenue from contracts with customers is as follows.

	(Million yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
	42,622	42,944

- \*2. Ending inventory is the amount after being written down due to decreased profitability, and the following loss on valuation of inventory (the amount after offset of reversal with reversal method), is included in total cost of sales.

	(Million yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
	176	310

- \*3. The main expense items and amounts of selling, general and administrative expenses are as follows.

	(Million yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Salaries	2,289	2,268
Provision for bonuses	410	400
Retirement benefit expenses	62	76
Research and development expenses	3,408	4,065
Provision of allowance for doubtful accounts	(0)	21

\*4. Research and development expenses included in general and administrative expenses, and manufacturing costs incurred during the period are as follows.

	(Million yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
	3,408	4,065

\*5. Description of loss on sale and retirement of non-current assets is as follows.

	(Million yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Buildings and structures	10	0
Machinery, equipment and vehicles	0	9
Tools, furniture and fixtures	2	16
Dismantlement cost	12	30
Total	27	57

(Notes to Consolidated Statements of Comprehensive Income)

\*1. Reclassification adjustment and tax effect relating to other comprehensive income

	(Million yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Valuation difference on available-for-sale securities:		
Amount incurred during the period	5	(0)
Reclassification adjustment	-	(6)
Before tax effect adjustment	5	(7)
Tax effect	(1)	2
Valuation difference on available-for-sale securities	4	(5)
Foreign currency translation adjustment:		
Amount incurred during the period	146	9
Remeasurements of defined benefit plans, net of tax:		
Amount incurred during the period	(58)	(182)
Reclassification adjustment	(55)	(25)
Before tax effect adjustment	(113)	(208)
Tax effect	34	63
Remeasurements of defined benefit plans, net of tax	(78)	(144)
Total other comprehensive income	71	(140)

(Notes to Consolidated Statements of Changes in Net Assets)

For the fiscal year ended March 31, 2022

1. Class and total number of issued shares and class and total number of treasury shares

(Shares)

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common shares	43,541,438	—	—	43,541,438
Total	43,541,438	—	—	43,541,438
Treasury shares				
Common shares (Notes) 1. 2.	6,611,071	90	34,300	6,576,861
Total	6,611,071	90	34,300	6,576,861

(Notes) 1. The increase in treasury shares by 90 shares of common shares is due to the purchase of shares of less than one unit.

2. The decrease in treasury shares by 34,300 shares of common shares is due to the exercise of stock options.

2. Share acquisition rights and treasury share acquisition rights

Category	Description of Share acquisition rights	Class of shares for Share acquisition rights	Number of shares for Share acquisition rights (Share)				Balance at the end of the period (Million yen)
			Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period	
The Company (Parent company)	Share acquisition rights as stock options	—	—	—	—	—	316
Total		—	—	—	—	—	316

3. Dividends

(1) Cash dividends paid

(Resolution)	Class of shares	Total cash dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
April 28, 2021 Board of Directors meeting	Common shares	960	26	March 31, 2021	June 4, 2021
October 27, 2021 Board of Directors meeting	Common shares	739	20	September 30, 2021	December 1, 2021

(2) Dividends for which the record date falls in the current period, but the effective date falls in the following period

(Resolution)	Class of shares	Total cash dividends (Million yen)	Dividend source	Dividend per share (Yen)	Record date	Effective date
April 28, 2022 Board of Directors meeting	Common shares	1,145	Retained earnings	31	March 31, 2022	June 6, 2022

For the fiscal year ended March 31, 2023

1. Class and total number of issued shares and class and total number of treasury shares

(Shares)

	Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period
Issued shares				
Common shares	43,541,438	—	—	43,541,438
Total	43,541,438	—	—	43,541,438
Treasury shares				
Common shares (Notes) 1. 2.	6,576,861	44	64,280	6,512,625
Total	6,576,861	44	64,280	6,512,625

(Notes) 1. The increase in treasury shares by 44 shares of common shares is due to the purchase of shares of less than one unit.  
2. The decrease in treasury shares by 64,280 shares of common shares is due to the disposal of treasury shares as restricted stock units.

2. Share acquisition rights and treasury share acquisition rights

Category	Description of Share acquisition rights	Class of shares for Share acquisition rights	Number of shares for Share acquisition rights (Share)				Balance at the end of the period (Million yen)
			Number of shares at beginning of period	Increase during period	Decrease during period	Number of shares at end of period	
The Company (Parent company)	Share acquisition rights as stock options	—	—	—	—	—	380
Total		—	—	—	—	—	380

### 3. Dividends

#### (1) Cash dividends paid

(Resolution)	Class of shares	Total cash dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
April 28, 2022 Board of Directors meeting	Common shares	1,145	31	March 31, 2022	June 6, 2022
October 27, 2022 Board of Directors meeting	Common shares	887	24	September 30, 2022	December 1, 2022

#### (2) Dividends for which the record date falls in the current period, but the effective date falls in the following period

(Resolution)	Class of shares	Total cash dividends (Million yen)	Dividend source	Dividend per share (Yen)	Record date	Effective date
April 28, 2023 Board of Directors meeting	Common shares	999	Retained earnings	27	March 31, 2023	June 8, 2023

#### (Notes to Consolidated Statements of Cash Flows)

#### \*1. Relationship between cash and cash equivalents at end of year and account items listed in the consolidated balance sheets

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash and deposits	16,121	18,317
Time deposits with deposit terms of more than three months	(5,221)	(2,253)
Cash and cash equivalents	10,900	16,064

#### (Lease transactions)

##### (Lessee)

#### 1. Finance lease transactions

Finance leases wherein ownership of the leased asset does not transfer to the lessee

##### 1) Description of leased assets

Property, plant and equipment

Research and development facility, tools, furniture and fixtures, and machinery, equipment and vehicles

##### 2) Depreciation method of leased assets

As described in “(2) Depreciation method of significant depreciable assets under 4. Accounting policies” of (Material basis for the preparation of consolidated financial statements).



## 2. Operating lease transactions

Future lease payments under non-cancelable operating lease transactions

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Within one year	211	238
Over one year	252	171
Total	464	410

(Lessor)

Finance lease transactions

(1) Description of investments in leases

1) Current assets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Lease receivables	341	356
Interest income equivalents	(18)	(18)
Investments in leases	323	337

2) Investments and other assets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Lease receivables	777	814
Interest income equivalents	(26)	(27)
Investments in leases	750	786

(2) Scheduled amount of debt recovery after the closing date for lease receivables associated with investments in leases

1) Current assets

(Million yen)

	As of March 31, 2022					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	12	—	—	—	—	—
Investments in leases	341	—	—	—	—	—

(Million yen)

	As of March 31, 2023					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	—	—	—	—	—	—
Investments in leases	356	—	—	—	—	—

2) Investments and other assets

(Million yen)

	As of March 31, 2022					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	—	—	—	—	—	—
Investments in leases	—	277	204	164	90	41

(Million yen)

	As of March 31, 2023					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	—	—	—	—	—	—
Investments in leases	—	283	242	168	77	41

(Segment information)

Segment information

Fiscal year ended March 31, 2022 and fiscal year ended March 31, 2023

Omitted since the Group's business is a single segment in the clinical diagnostics business.

(Per share information)

(Yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	1,230.55	1,327.47
Basic earnings per share	168.28	155.17
Diluted earnings per share	167.01	153.86

(Note) The basis for the calculation of basic earnings per share and diluted earnings per share is as follows.

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	6,218	5,736
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	6,218	5,736
Average number of shares of common shares outstanding during each fiscal year (Thousand shares)	36,955	36,967
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Million yen)	—	—
Increase in number of shares of common shares (Thousand shares)	282	314
(Bonds with share acquisition rights included in the above)	(282)	(314)
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect	—	

(Significant subsequent events)

Not applicable.

## 4. Non-consolidated Financial Statements and Principal Notes

### (1) Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	15,741	17,917
Notes receivable - trade	504	499
Accounts receivable - trade	11,447	10,619
Lease receivables	12	-
Investments in leases	323	337
Merchandise and finished goods	4,654	4,728
Work in process	1,709	1,917
Raw materials and supplies	1,789	1,710
Prepaid expenses	165	327
Other	226	685
Allowance for doubtful accounts	(4)	(6)
Total current assets	36,569	38,736
Non-current assets		
Property, plant and equipment		
Buildings	17,718	22,710
Accumulated depreciation	(11,045)	(11,682)
Buildings, net	6,672	11,028
Structures	1,468	1,745
Accumulated depreciation	(755)	(845)
Structures, net	712	900
Machinery and equipment	6,529	6,728
Accumulated depreciation	(5,111)	(5,428)
Machinery and equipment, net	1,418	1,300
Vehicles	44	48
Accumulated depreciation	(32)	(38)
Vehicles, net	12	10
Tools, furniture and fixtures	4,539	5,003
Accumulated depreciation	(3,858)	(3,933)
Tools, furniture and fixtures, net	681	1,070
Land	1,931	1,928
Leased assets	294	325
Accumulated depreciation	(191)	(150)
Leased assets, net	102	174
Construction in progress	3,302	382
Total property, plant and equipment	14,834	16,794
Intangible assets		
Patent right	1	3
Software	1,137	848
Other	25	19
Total intangible assets	1,164	871

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Investments and other assets		
Investment securities	3,614	586
Investments in capital	0	0
Investments in capital of subsidiaries and associates	1,316	1,316
Distressed receivables	10	30
Long-term prepaid expenses	84	127
Long-term time deposits	1,900	4,900
Life insurance funds	167	168
Prepaid pension costs	1,138	1,282
Deferred tax assets	694	599
Investments in leases	750	786
Other	237	235
Allowance for doubtful accounts	(14)	(34)
Total investments and other assets	9,901	10,001
Total non-current assets	25,899	27,667
Total assets	62,469	66,404
Liabilities		
Current liabilities		
Accounts payable - trade	4,534	4,715
Electronically recorded obligations - operating	2,961	2,933
Lease liabilities	392	390
Accounts payable - other	1,387	1,397
Accrued expenses	261	227
Income taxes payable	1,305	827
Refund liabilities	467	411
Contract liabilities	114	24
Deposits received	112	67
Provision for bonuses	776	766
Other	222	676
Total current liabilities	12,538	12,439
Non-current liabilities		
Bonds payable	3,000	3,000
Lease liabilities	798	919
Asset retirement obligations	34	34
Other	342	342
Total non-current liabilities	4,175	4,296
Total liabilities	16,713	16,736

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus		
Legal capital surplus	7,892	7,892
Other capital surplus	108	183
Total capital surplus	8,000	8,076
Retained earnings		
Legal retained earnings	338	338
Other retained earnings		
Reserve for tax purpose reduction entry	66	58
General reserve	4,330	4,330
Retained earnings brought forward	28,898	32,654
Total retained earnings	33,632	37,381
Treasury shares	(3,126)	(3,095)
Total shareholders' equity	45,405	49,259
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	33	28
Total valuation and translation adjustments	33	28
Share acquisition rights	316	380
Total net assets	45,755	49,667
Total liabilities and net assets	62,469	66,404

## (2) Non-consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales		
Net sales of finished goods	21,974	22,133
Net sales of goods	20,940	21,062
Total net sales	42,915	43,195
Cost of sales		
Beginning inventory of merchandise and finished goods	4,464	4,654
Cost of products manufactured	7,590	7,954
Cost of purchased goods	15,119	15,012
Ending inventory of merchandise and finished goods	4,654	4,728
Total cost of sales	22,519	22,892
Gross profit	20,395	20,303
Reversal of provision for sales returns	8	-
Gross profit - net	20,403	20,303
Selling, general and administrative expenses	11,957	12,788
Operating profit	8,446	7,514
Non-operating income		
Interest income	12	9
Dividend income	2	3
Compensation income for damage	-	38
Compensation income	12	8
Outsourcing service income	31	9
Foreign exchange gains	6	26
Subsidy income	17	10
Other	28	35
Total non-operating income	112	141
Non-operating expenses		
Interest expenses	1	3
Interest expenses on bonds	6	12
Bond issuance costs	22	-
Commitment fees	2	2
Loss on redemption of investment securities	-	13
Compensation expenses	9	9
Other	0	0
Total non-operating expenses	43	42
Ordinary profit	8,515	7,613
Extraordinary income		
Gain on sale of non-current assets	1	24
Gain on sale of investment securities	-	56
Total extraordinary income	1	81
Extraordinary losses		
Loss on sale and retirement of non-current assets	21	57
Total extraordinary losses	21	57
Profit before income taxes	8,495	7,637
Income taxes - current	2,087	1,758
Income taxes - deferred	176	97
Total income taxes	2,264	1,855
Profit	6,231	5,781

## (3) Non-consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings		
					Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward
Balance at beginning of period	6,897	7,892	81	338	74	4,330	24,881
Cumulative effects of changes in accounting policies							(523)
Restated balance	6,897	7,892	81	338	74	4,330	24,358
Changes during period							
Reversal of reserve for tax purpose reduction entry					(7)		7
Dividends of surplus							(1,699)
Profit							6,231
Purchase of treasury shares							
Disposal of treasury shares			27				
Net changes in items other than shareholders' equity							
Total changes during period	-	-	27	-	(7)	-	4,539
Balance at end of period	6,897	7,892	108	338	66	4,330	28,898

	Shareholders' equity		Valuation and translation adjustments	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at beginning of period	(3,142)	41,353	29	296	41,679
Cumulative effects of changes in accounting policies		(523)			(523)
Restated balance	(3,142)	40,830	29	296	41,156
Changes during period					
Reversal of reserve for tax purpose reduction entry		-			-
Dividends of surplus		(1,699)			(1,699)
Profit		6,231			6,231
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	16	43			43
Net changes in items other than shareholders' equity			4	19	23
Total changes	16	4,574	4	19	4,598



	Shareholders' equity		Valuation and translation adjustments	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
during period					
Balance at end of period	(3,126)	45,405	33	316	45,755

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings		
					Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward
Balance at beginning of period	6,897	7,892	108	338	66	4,330	28,898
Changes during period							
Reversal of reserve for tax purpose reduction entry					(7)		7
Dividends of surplus							(2,033)
Profit							5,781
Purchase of treasury shares							
Disposal of treasury shares			75				
Net changes in items other than shareholders' equity							
Total changes during period	-	-	75	-	(7)	-	3,756
Balance at end of period	6,897	7,892	183	338	58	4,330	32,654

	Shareholders' equity		Valuation and translation adjustments	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at beginning of period	(3,126)	45,405	33	316	45,755
Changes during period					
Reversal of reserve for tax purpose reduction entry		-			-
Dividends of surplus		(2,033)			(2,033)
Profit		5,781			5,781
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	30	105			105
Net changes in items other than shareholders' equity			(5)	63	58
Total changes during period	30	3,854	(5)	63	3,912
Balance at end of period	(3,095)	49,259	28	380	49,667

(4) Notes to Non-consolidated Financial Statements  
(Notes on going concern assumption)  
Not applicable.

(Significant accounting policies)

1. Valuation standards and methods for Significant Securities

(1) Held-to-maturity debt securities

Stated at amortized cost (straight-line method)

(2) Shares of subsidiary

Cost method by the moving-average method

(3) Available-for-sale securities

Securities other than shares, etc., which do not have a market price

Market value method

(The valuation difference is directly included in net assets, and cost of sales is determined by the moving-average method.)

Shares, etc., which do not have a market price

Principally cost method by the moving-average method

2. Valuation standards and methods for derivative financial instruments

Market value method

3. Valuation standards and methods for inventories

(1) Merchandise and finished goods, raw materials, and work in process

Cost method by the moving-average method (carrying amount is written down due to decreased profitability) is adopted.

(2) Supplies

Cost method by the last purchase price method (carrying amount is written down due to decreased profitability) is adopted.

4. Depreciation method of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Declining-balance method

However, the straight-line method is adopted for buildings purchased on or after April 1, 1998 (excluding facilities attached to buildings), and for facilities attached to buildings and structures purchased on or after April 1, 2016.

Major useful lives are as follows:

Buildings	15-38 years
Structures	7-40 years
Machinery and equipment	8 years
Vehicles	4-6 years
Tools, furniture and fixtures	2-15 years

(2) Intangible assets (excluding leased assets)

Straight-line method

For internal use software, the straight-line method based on amortization over the internally estimated useful lives (5 years) is adopted.

(3) Leased assets

Leased assets are depreciated over the lease terms as useful lives using the straight-line method without any residual value.

5. Accounting standards for significant reserves and allowances

(1) Allowance for doubtful accounts

In order to prepare for possible credit losses on trade receivables, etc., the estimated amount of non-recoverable receivables based on the historical loss rate for general receivables and specific collectability for specific doubtful receivables are recorded.

(2) Provision for bonuses

In order to prepare for payments of bonuses to the employees, the estimated payable amount to be used in the future attributable to the current fiscal year is recorded as provision for bonuses.

(3) Provision for retirement benefits

In order to prepare for employees' retirement benefits, provision for retirement benefits is recorded based on the retirement benefit obligations and estimated plan assets as of the current fiscal year-end.

1) Period attribution method for estimated retirement benefits

In calculating retirement benefit obligations, the method of attributing the estimated amount of retirement benefits to the periods up to the end of the current fiscal year is based on the benefit formula basis.

2) Accounting method for actuarial difference and past service cost

Past service cost is expensed using the straight-line method over a period of definite years (3 years) within the employees' average remaining service years at the time when it is incurred.

Actuarial difference is expensed at the amount divided proportionally using the straight-line method over a period of definite years (12 years) within the employees' average remaining service years in each fiscal year when it is incurred, commencing from the fiscal year following the fiscal year in which the difference is incurred.

6. Revenue and expense recognition standards

(1) Sales of merchandise and finished goods

Sales of merchandise and finished goods include the manufacture and sale of clinical diagnostic reagents and clinical diagnostic equipment. The Company principally recognizes revenue from sales of merchandise and finished goods when making delivery of the goods to a customer as it satisfies a performance obligation by transferring control of the goods to a customer based on receipt of the goods. For clinical diagnostic equipment which requires installation at the time of sale, the Company recognizes revenue at inspection of installed equipment as it satisfies a performance obligation by transferring control of the goods to a customer based on inspection by a customer.

(2) Royalty revenue

Royalty revenue includes upfront payment based on license agreement etc., milestone revenues, and running royalty calculated based on net sales etc. For upfront payment, the Company recognizes revenue at customers' receipt of the right which the Company promised to transfer to a customer based on the contract. For milestone revenues, the Company recognizes revenue at achievement of the milestone which was defined in the contract. For running royalty calculated based on net sales etc., the Company recognizes revenue when sales or usage occur, or it satisfies a performance obligation which sales-based or usage-based royalty is allocated, whichever is later.

7. Translation of significant foreign currency denominated assets and liabilities into Japanese yen

Foreign currency denominated monetary receivables and payables are translated into Japanese yen using the spot exchange rate on the closing date and the translation difference is charged or credited to income.

8. Hedge accounting method

(1) Hedge accounting method

The appropriation procedure is adopted to foreign exchange fluctuation risk hedging that satisfy the relevant requirements.

(2) Hedging instruments and hedged items, hedging policy

The risks of foreign exchange fluctuation are hedged in accordance with the Company's rules.

Hedging instruments and hedged items where hedge accounting was applied for the consolidated fiscal year under review are as follows.

Hedging instruments: Forward exchange contracts

Hedged items: Foreign currency denominated accounts payable, foreign currency denominated accounts payable - other

(3) Assessment of hedge effectiveness

For forward exchange contracts, hedged items with the same date and amount and denominated in the same currency are allocated to each account payable, accounts payable – other. Therefore, the correlation by foreign exchange fluctuation thereafter is ensured completely, and the assessment of hedge effectiveness is omitted.

9. Accounting method for retirement benefits

The accounting methods of unrecognized actuarial gain and loss and unrecognized past service cost for retirement benefits differ from those of the consolidated financial statements.

(Notes to Non-consolidated Balance Sheets)

Overdraft contract and commitment line are concluded for efficient procurement of working capital. Balance of unexecuted loans based on these contracts are as follows.

	(Million yen)	
	As of March 31, 2022	As of March 31, 2023
Total of Overdraft maximum amount and commitment lines	5,400	5,400
Outstanding borrowings	—	—
Difference	5,400	5,400

(Notes to Non-consolidated Statements of Income)

\*1. Approximate percentages of expenses belonging to selling expenses are 45% for the previous fiscal year, 45% for the fiscal year under review, and approximate percentages of expenses belonging to general and administrative expenses are 55% for the previous fiscal year, 55% for the fiscal year under review.

The main expense items and amounts of selling, general and administrative expenses are as follows.

	(Million yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Salaries	2,238	2,203
Provision for bonuses	410	400
Retirement benefit expenses	62	76
Legal welfare expenses	586	581
Travel and transportation expenses	348	476
Packaging and transportation expenses	804	822
Research and development expenses	3,367	4,011
Depreciation	400	412
Provision of allowance for doubtful accounts	(0)	21

\*2. Main losses on sales and retirement of non-current assets are as follows.

	(Million yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Buildings	5	0
Structures	0	0
Machinery and equipment	0	9
Vehicles	0	0
Tools, furniture and fixtures	2	16
Dismantlement cost	12	30
Total	21	57

(Significant subsequent events)

Not applicable.

## 5. Others

### (1) Changes in Officers

#### 1) Changes in CEO

Not applicable

#### 2) Changes in Other Officers

(Candidate for Director newly appointed)

Name	New job title	Current job title	Scheduled date of change
Naoki Matsutake	Outside Director	Certified Public Accountant Representative Director of Kazu Corporation Co., Ltd. Outside Director (Audit and Supervisory Committee Member) of BP Castrol K.K.	June 27, 2023

\*For details, please refer to “Notice Regarding Selection of Candidate for Director” announced on April 26, 2023.

(Directors scheduled to retire)

Name	Current job title	Scheduled date of retire
Shigeru Nomura	Outside Director	June 27, 2023

\*For details, please refer to “Notice Regarding Selection of Candidate for Director” announced on April 26, 2023.

### (2) Sales

Sales are described by breaking down sales by classes and types of products since the Group’s business is a single segment.

#### Sales performance

Sales performance for the consolidated fiscal year under review described by product class and type is as follows.

(Million yen)

Name of class and type of product	For the fiscal year ended March 31, 2023	Change from the previous corresponding period (%)
Microbiological testing reagents	3,938	100.3
Urinalysis reagents	4,143	109.5
Immunological and serological reagents	20,717	100.6
Clinical chemistry reagents	590	98.6
Equipment and culture medium for food and environment related category	2,165	96.1
Other category	11,716	98.9
Total	43,271	100.6