

Summary of Financial Results for the Fiscal Year Ended March 31, 2020

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 Ordinary General Meeting of Shareholders: June 23, 2020
 Scheduled date of dividend payment: June 1, 2020
 Scheduled date of filing of Annual Securities Report: June 24, 2020

(Millions of yen rounded down)

1. Consolidated Performance for the Fiscal Year Ended March 31, 2020(April 1, 2019 to March 31, 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	%
Fiscal year ended March 31, 2020	36,585	2.3	4,622	0.2	4,723	0.9	3,538	2.6
Fiscal year ended March 31, 2019	35,761	2.2	4,611	32.6	4,681	31.9	3,447	32.1

(Note) Comprehensive income: Fiscal year ended March 31, 2020: 3,337 million yen. (1.8%) Fiscal year ended March 31, 2019: 3,397 million yen. (21.5%)

	Net income per share	Diluted net income per share	ROE	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2020	95.95	95.21	9.9	9.7	12.6
Fiscal year ended March 31, 2019	93.63	92.84	10.3	10.1	12.9

(Reference) Investment profit or loss on equity method: March 2020: — million yen. March 2019: — million yen.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	50,322	37,303	73.5	1,002.86
As of March 31, 2019	42,279	35,014	73.5	942.37

(Reference) Shareholders' equity: As of March 31, 2020: 36,987million yen. As of March 31, 2019: 34,756million yen.

(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 the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2020	5,460	(3,711)	(1,220)	4,981
Fiscal year ended March 31, 2019	3,318	(4,435)	(1,083)	4,448

2. Dividends

	Dividends per share					Total dividends (annual)	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2019	—	13.00	—	17.00	30.00	1,106	32.0	3.3
Fiscal year ended March 31, 2020	—	13.00	—	17.00	30.00	1,106	31.3	3.1
Fiscal year ending March 2021 (Forecast)	—	—	—	—	—		—	

(Note) The forecast of dividend for the year ending March 31, 2021, is not decided at this stage. In the future, we will announce the dividend forecast promptly when it becomes possible to disclose the earnings forecast.

3. Forecasts of Consolidated Performance for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

The forecast of consolidated financial results for the year ending March 31, 2021, is not stated because, it is difficult to reasonably calculate the impact of the new coronavirus infection at this stage.

We will announce it as soon as it becomes possible to disclose the earnings forecast.

【Notes】

- (1) Changes in important subsidiaries during the period (Specified subsidiaries accompanying changes in scope of consolidation): No
- (2) 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
- (3) Number of outstanding shares (common stocks)
- 1) Number of shares outstanding at term-end (including treasury stocks)
- As of March 31, 2020: 43,541,438 shares
- As of March 31, 2019: 43,541,438 shares
- 2) Number of treasury stock at term-end
- As of March 31, 2020: 6,659,760 shares
- As of March 31, 2019: 6,659,650 shares
- 3) Average number of shares outstanding during the period
- As of March 31, 2020: 36,881,764 shares
- As of March 31, 2019: 36,823,911 shares

【Reference】Non-consolidated Financial Summaries**1. Non-Consolidated Performance for the Year Ended March 31, 2020****(April 1, 2019 to March 31, 2020)****(1) Non-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	%
Fiscal year ended March 31, 2020	36,564	2.3	4,620	0.1	4,703	0.8	3,518	2.5
Fiscal year ended March 31, 2019	35,738	2.2	4,614	29.4	4,667	29.1	3,433	28.3

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2020	95.41	94.67
Fiscal year ended March 31, 2019	93.23	92.44

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	50,753	37,741	73.7	1,014.73
As of March 31, 2019	47,571	35,299	73.7	950.11

(Reference) Shareholders' equity: As of March 31, 2018: 35,041 million yen. As of March 31, 2018: 32,499 million yen.

* The financial results are not subject to audit.

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

(Notes regarding future statements)

Since it is difficult to reasonably calculate the impact of the new coronavirus infection at this stage, we have not decided the forecast for consolidated financial results this time. We will announce it as soon as it becomes possible to disclose the earnings forecast.

1. Outlook on business performance

(1) Summary of business performance for this term

During the consolidated fiscal year under review, Japan's economy continued to recover at a gradual pace due to improvement in employment and income. However, recently, the economy has declined significantly due to the impact of COVID-19 and conditions are now tough. Furthermore, activities in the overseas economy are being suppressed by the global spread of COVID-19, and the overseas economy is experiencing a rapid downturn.

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, in the fourth quarter, the Group is working to contribute to countermeasures against COVID-19 by developing and selling detection reagents.

As a result of these efforts, the net sales for the consolidated fiscal year under review went up to 36,585 million yen (increase of 2.3% on a year-on-year basis) due to increased overseas net sales with a focus on urinalysis test strips/ analyzers and fecal immunochemical test reagents.

A breakdown of net sales by classes and types of products, indicates diverging trends. In microbiological testing reagents, the termination of a sales agreement for blood-culture testing products sourced from Nippon Becton Dickinson Company, Ltd. Resulted in a decline in sales to 4,623 million yen (decrease of 10.3% on a year-on-year basis). In the area of urinalysis reagents, sales of urinalysis test strips rose both in Japan and overseas, resulting in sales of 3,340 million yen (increase of 7.8% on a year-on-year basis). As for immunological and serological reagents, sales of 20,269 million yen (increase of 1.4% on a year-on-year basis) were recorded due to an increase in sales of overseas-oriented fecal immunochemical test reagents and stable sales in Japan. Moreover, sales of clinical chemistry reagents amounted to 609 million yen (increase of 2.4% on a year-on-year basis), and sales of equipment, food and environment related culture medium category amounted to 2,162 million yen (decrease of 0.3% on a year-on-year basis). In the "Other" category (medical devices, genetic-related products, etc.), overseas sales of medical devices such as analyzers for urine tests increased substantially, leading to sales of 5,578 million yen (increase of 17.3% on a year-on-year basis).

Overseas, sales of fecal immunochemical test reagents and urinalysis test strips/analyzers made a substantial increase, resulting in total sales of 7,040 million yen (increase of 16.0% on a year-on-year basis).

Regarding profit, despite an increase in selling, general and administrative expenses with a focus on research and development costs, profit increased in conjunction with an increase in income. As a result, operating income was 4,622 million yen (increase of 0.2% on a year-on-year basis) and ordinary income was 4,723 million yen (increase of 0.9% on a year-on-year basis). Furthermore, profit attributable to owners of parent amounted to 3,538 million yen (increase of 2.6% on a year-on-year basis).

(2) Summary of 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 3,042 million yen, liabilities increased by 753 million yen, and net assets increased by 2,289 million yen.

Major increases and decreases in the category of assets included an increase of 2,543 million yen in cash and deposits, a decrease of 942 million yen in notes and accounts receivable – trade, and an increase of 1,348 million yen in inventories. Also, land increased by 935 million yen due to the purchase of land adjacent to the Nogi Division. As the result of performing more efficient asset management, long-term time deposits decreased by 4,000 million yen and investment securities increased by 2,932 million yen. In the category of liabilities, notes and accounts payable – trade and electronically recorded obligations – operating increased respectively by 438 million yen and 305 million yen due to an increase in the purchase of stock. In the category of net assets, retained earnings increased by 2,432 million yen due to recording of profit attributable to owners of parent, despite payment of dividends. Our equity ratio remained at 73.5%, the same as 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 532 million yen compared to the end of the previous consolidated fiscal year, reaching 4,981 million yen on March 31, 2020. 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 5,460 million yen (compared to the net cash of 3,318 million yen in the previous fiscal year). This was mainly due to a 937 million yen income caused by a decrease in notes and accounts receivable – trade, a 1,362 million yen expenditure caused by an increase in inventories, a 745 million yen income caused by an increase in notes and accounts payable – trade, and 4,724 million yen in profit before income taxes. Depreciation totaled 1,627 million yen.

Cash flows from investing activities

Net cash used in investing activities was an expenditure of 3,711 million yen (compared to the net cash expenditure of 4,435 million yen in the previous fiscal year). This was mainly due to 2,307 million yen in purchase of property, plant and equipment through land purchase around the Nogi Division and investment in production facilities, etc., 3,021 million yen in purchase of investment securities, 3,126 million yen in payments into time deposits, and 5,100 million yen in proceeds from withdrawal of time deposits.

Cash flows from financing activities

Net cash used in financing activities was an expenditure of 1,220 million yen (compared to the net cash expenditure of 1,083 million yen in the previous fiscal year). This was mainly due to cash dividends paid of 1,106 million yen.

(4) Future prospects

Regarding future economic prospects in Japan and overseas in the next fiscal year, even tougher conditions are forecasted due to the impact of COVID-19 and it is necessary to exercise caution toward the risk of an even more severe economic downturn. Within this business environment, there is the possibility of significant impact on the clinical diagnostics business of the Group. However, at the current time, it is difficult to forecast when COVID-19 will end; consequently, we have decided that the impact on business cannot be rationally calculated. Therefore, we will refrain from announcing a business forecast for the next fiscal year at the current time. We will immediately disclose a forecast once rational calculation has become possible.

The Group will steadily advance the three-year period of the Medium-term Management Plan (fiscal year ended March 31, 2020 to fiscal year ending March 31, 2022) which is positioned a period for structural reform within the management framework “EIKEN ROAD MAP 2019.” We will develop internal systems for achieving our vision of the global corporation EIKEN, and will strive for sustainable growth and profitability. Moreover, we will continually strive to contribute to countermeasures against COVID-19 by developing systems for the stable supply of reagent for detection of COVID-19.

(5) Basic policy on profit sharing and dividends for this and the next term

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, as an interim dividend and a year-end dividend. Specifically, based on the above-mentioned policies, the Company will endeavor to maintain dividends with a goal of 30% or higher for its consolidated dividend payout ratio. The Company in its Articles of Incorporation 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.”

The year-end dividend for the current fiscal year has been revised to 17 yen per share. This is an increase of 3 yen per share from the dividend forecast of 14 yen per share. This increase is being made in conjunction with revisions to the full-year business forecast as announced on January 28, 2020 in the “Revision of the Financial Forecast and Dividend Forecast (Dividend Increase) for the Fiscal Year Ending March 31, 2020.” As we have already paid the interim dividend of 13 yen on December 2, 2019, the dividends on an annual basis will add up to 30 yen per share.

At the current time, we have yet to set a forecast for per share dividends for the next fiscal year. Moving forward, we will immediately announce a dividends forecast once it has become possible to disclose the business forecast. Internal reserves will be used effectively from a mid- to long-term perspective in investments for R&D aimed at strengthening our business structure, investments for facilities, and efforts to improve our business efficiency.

2. Basic way of thinking regarding selection of accounting standards

For the time being, to enhance comparability of consolidated financial statements and comparability between companies, the Group will create consolidated financial statements in accordance with Japanese standards.

We shall examine possibilities of application of international accounting standards taking into consideration various circumstances in and outside the country.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2019 (As of March 31, 2019)	FY 2020 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	7,554	10,098
Notes and accounts receivable - trade	11,959	11,017
Lease receivables	13	13
Investments in leases	243	275
Merchandise and finished goods	3,551	4,342
Work in process	1,244	1,460
Raw materials and supplies	1,030	1,371
Other	255	329
Allowance for doubtful accounts	—	(4)
Total current assets	25,852	28,903
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,137	19,223
Accumulated depreciation	(11,387)	(11,151)
Buildings and structures, net	7,750	8,071
Machinery, equipment and vehicles	6,225	6,159
Accumulated depreciation	(4,746)	(4,936)
Machinery, equipment and vehicles, net	1,479	1,222
Tools, furniture and fixtures	3,593	3,852
Accumulated depreciation	(3,081)	(3,269)
Tools, furniture and fixtures, net	512	582
Land	996	1,931
Leased assets	520	425
Accumulated depreciation	(264)	(236)
Leased assets, net	256	188
Construction in progress	100	43
Total property, plant and equipment	11,095	12,041
Intangible assets	744	1,019
Investments and other assets		
Investment securities	555	3,487
Long-term time deposits	5,900	1,900
Retirement benefit asset	1,200	1,020
Deferred tax assets	570	661
Other	1,367	1,305
Allowance for doubtful accounts	(6)	(16)
Total investments and other assets	9,587	8,357
Total non-current assets	21,427	21,418
Total assets	47,279	50,322

	FY 2019 (As of March 31, 2019)	FY 2020 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,148	4,586
Electronically recorded obligations - operating	2,432	2,738
Lease obligations	368	376
Income taxes payable	770	702
Asset retirement obligations	15	—
Provision for bonuses	739	745
Provision for sales returns	7	5
Other	2,499	2,586
Total current liabilities	10,981	11,740
Non-current liabilities		
Lease obligations	830	829
Asset retirement obligations	33	33
Other	419	416
Total non-current liabilities	1,284	1,278
Total liabilities	12,265	13,018
Net assets		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus	7,935	7,935
Retained earnings	22,869	25,302
Treasury shares	(3,165)	(3,165)
Total shareholders' equity	34,537	36,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51	23
Foreign currency translation adjustment	88	16
Remeasurements of defined benefit plans	79	(22)
Total accumulated other comprehensive income	219	17
Share acquisition rights	257	316
Total net assets	35,014	37,303
Total liabilities and net assets	47,279	50,322

(2) Consolidated Statements of Income

(Millions of yen)

	FY 2019 (Fiscal year ended March 31, 2019)	FY 2020 (Fiscal year ended March 31, 2020)
Net sales	35,761	36,585
Cost of sales	20,069	20,355
Gross profit	15,692	16,229
Reversal of provision for sales returns	6	7
Provision for sales returns	7	5
Gross profit - net	15,692	16,230
Selling, general and administrative expenses	11,080	11,608
Operating profit	4,611	4,622
Non-operating income		
Interest income	4	8
Dividend income	5	4
Rental income	17	14
Compensation income	16	5
Outsourcing service income	15	5
Subsidy income	—	21
Other	40	54
Total non-operating income	100	115
Non-operating expenses		
Interest expenses	7	4
Depreciation	7	—
Compensation expenses	6	—
Commission expenses	—	5
Other	8	4
Total non-operating expenses	30	14
Ordinary profit	4,681	4,723
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	97	33
Total extraordinary income	98	33
Extraordinary losses		
Loss on sales and retirement of non-current assets	24	32
Impairment loss	106	—
Total extraordinary losses	130	32
Profit before income taxes	4,649	4,724
Income taxes - current	1,201	1,218
Income taxes - deferred	0	(32)
Total income taxes	1,201	1,185
Profit	3,447	3,538
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	3,447	3,538

Consolidated statements of comprehensive income

	(Millions of yen)	
	FY 2019 (Fiscal year ended March 31, 2019)	FY 2020 (Fiscal year ended March 31, 2020)
Profit	3,447	3,538
Other comprehensive income		
Valuation difference on available-for-sale securities	(103)	(28)
Foreign currency translation adjustment	(26)	(71)
Remeasurements of defined benefit plans, net of tax	80	(101)
Total other comprehensive income	(50)	(201)
Comprehensive income	3,397	3,337
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,397	3,337
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in net assets

FY 2019 (Fiscal year ended March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,897	7,898	20,359	(3,279)	31,876
Changes of items during period					
Dividends of surplus			(937)		(937)
Profit attributable to owners of parent			3,447		3,447
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		36		115	151
Net changes of items other than shareholders' equity					
Total changes of items during period	—	36	2,510	114	2,661
Balance at end of current period	6,897	7,935	22,869	(3,165)	34,537

	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 current period	155	114	(1)	269	333	32,478
Changes of items during period						
Dividends of surplus						(937)
Profit attributable to owners of parent						3,447
Purchase of treasury shares						(1)
Disposal of treasury shares						151
Net changes of items other than shareholders' equity	(103)	(26)	80	(50)	(75)	(125)
Total changes of items during period	(103)	(26)	80	(50)	(75)	2,535
Balance at end of current period	51	88	79	219	257	35,014

FY 2020 (Fiscal year ended March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,897	7,935	22,869	(3,165)	34,537
Changes of items during period					
Dividends of surplus			(1,106)		(1,106)
Profit attributable to owners of parent			3,538		3,538
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,432	(0)	2,432
Balance at end of current period	6,897	7,935	22,869	(3,165)	34,537

	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 current period	51	88	79	219	257	35,014
Changes of items during period						
Dividends of surplus						(1,106)
Profit attributable to owners of parent						3,538
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	(28)	(71)	(101)	(201)	58	(143)
Total changes of items during period	(28)	(71)	(101)	(201)	58	2,289
Balance at end of current period	23	16	(22)	17	316	37,303

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2019 (Fiscal year ended March 31, 2019)	FY 2020 (Fiscal year ended March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	4,649	4,724
Depreciation	1,594	1,627
Impairment loss	106	-
Increase (decrease) in allowance for doubtful accounts	-	14
Increase (decrease) in provision for sales returns	0	(1)
Increase (decrease) in provision for bonuses	(9)	6
Decrease (increase) in retirement benefit asset	(263)	(55)
Share-based remuneration expenses	76	58
Interest and dividend income	(10)	(13)
Interest expenses	7	4
Foreign exchange losses (gains)	0	(6)
Loss (gain) on sales and retirement of property, plant and equipment	23	32
Loss (gain) on sales of investment securities	(97)	(33)
Decrease (increase) in trade receivables	(242)	937
Decrease (increase) in inventories	(532)	(1,362)
Decrease (increase) in other current assets	(34)	(68)
Decrease (increase) in other investments	(7)	6
Increase (decrease) in trade payables	(883)	745
Increase (decrease) in other current liabilities	(15)	40
Other, net	87	72
Subtotal	4,448	6,727
Interest and dividends received	10	12
Interest paid	(7)	(4)
Proceeds from insurance income	6	5
Income taxes paid	(1,147)	(1,280)
Income taxes refund	7	0
Net cash provided by (used in) operating activities	3,318	5,460
Cash flows from investing activities		
Purchase of property, plant and equipment	(769)	(2,307)
Proceeds from sales of property, plant and equipment	1	9
Purchase of intangible assets	(435)	(500)
Payments for retirement of non-current assets	(6)	(7)
Purchase of investment securities	(300)	(3,021)
Proceeds from sales of investment securities	115	79
Payments into time deposits	(6,127)	(3,126)
Proceeds from withdrawal of time deposits	3,099	5,100
Other payments	(13)	60
Net cash provided by (used in) investing activities	(4,435)	(3,711)
Cash flows from financing activities		
Proceeds from (payments for) disposition (purchase) of treasury stock	(1)	(0)
Dividends paid	(937)	(1,106)
Other, net	(145)	(114)
Net cash provided by (used in) financing activities	(1,083)	(1,220)
Effect of exchange rate change on cash and cash equivalents	(1)	4
Net increase (decrease) in cash and cash equivalents	(2,202)	532
Cash and cash equivalents at beginning of period	6,651	4,448
Cash and cash equivalents at end of period	4,448	4,981