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Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]

October 27, 2021

Company name: EIKEN CHEMICAL CO.,LTD.

Stock exchange listing: Tokyo

Code number: 4549

URL: <https://www.eiken.co.jp>

Representative: Tsugunori Notomi

President & CEO

Contact: Hajime Watari

Senior Vice President & Executive Officer

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Scheduled date of filing quarterly securities report: November 10, 2021

Scheduled date of commencing dividend payments: December 01, 2021

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Six Months Ended September 30, 2021 (April 01, 2021 to September 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2021	21,341	20.4	4,831	77.3	4,897	75.2	3,666	70.4
September 30, 2020	17,727	(6.3)	2,724	(10.5)	2,794	(9.9)	2,151	(8.2)

(Note) Comprehensive income: Six months ended September 30, 2021: ¥ 3,673 million [67.7%]
Six months ended September 30, 2020: ¥ 2,190 million [(3.5)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	99.23		98.50	
September 30, 2020	58.31		57.86	

(2) Consolidated Financial Position

	Total assets		Net assets		Capital adequacy ratio	Net assets per share
	Million yen		Million yen		%	Yen
As of September 30, 2021	57,455		43,888		75.9	1,179.75
March 31, 2021	55,685		41,672		74.3	1,120.36

(Reference) Equity: As of September 30, 2021: ¥ 43,608 million
As of March 31, 2021: ¥ 41,375 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	-	15.00	-	26.00	41.00
Fiscal year ending March 31, 2022	-	20.00			
Fiscal year ending March 31, 2022 (Forecast)			-	21.00	41.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2022 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	40,400	4.5	6,370	(3.7)	6,430	(5.6)	4,910	(2.7)	132.83

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2021

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2021: 43,541,438 shares

March 31, 2021: 43,541,438 shares

2) Total number of treasury shares at the end of the period:

September 30, 2021: 6,576,831 shares

March 31, 2021: 6,611,071 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 36,946,203 shares

Six months ended September 30, 2020: 36,905,282 shares

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1. Qualitative Information on the Second Quarter of the Fiscal Year Ending March 31, 2022

(1) Qualitative Information Regarding Consolidated Operating Results

During the six months ended September 30, 2021, COVID-19 still had a significant impact on social and economic activities. While various economic packages have been implanted and vaccination rate has increased globally, the risks of COVID-19 epidemic rebound such as spread of a new mutant variant and increase in COVID-19 breakthrough cases after vaccination have not disappeared, and it remains difficult to predict when the COVID-19 ends in each country.

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, which is based on the management framework called EIKEN ROAD MAP 2019. The Medium-term Management Plan establishes four key measures on which the entire Eiken Group is working 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 stable domestic provision of reagents for detecting the virus, and through global expansion of those reagents.

The net sales for the six months ended September 30, 2021 went up to 21,341 million yen (up 20.4% year-on-year) partly due to a significant increase in sales of immunological and serological reagents including fecal immunochemical test reagents which was caused by the resumption of various screenings/screening programs and the tendency of increasing the number of outpatients and partly due to a significant increase in sales of COVID-19 detection reagents as a result of the spread of COVID-19.

When breaking down net sales by classes and types of products, sales of microbiological testing reagents declined to 1,961 million yen (down 1.4% year-on-year). As for urinalysis reagents, sales were 1,883 million yen (up 11.8% year-on-year), sales for immunological and serological reagents were 10,639 million yen (up 21.8% year-on-year), and sales for clinical chemistry reagents were 303 million yen (down 0.2% year-on-year). Sales in the equipment and culture medium for food and environment related category amounted to 1,118 million yen (up 5.7% year-on-year). In other category (medical devices, genetic-related products, etc.), the significant increase in COVID-19 detection reagents led to sales of 5,435 million yen (up 37.4% year-on-year).

Overseas, sales of fecal immunochemical test reagents/analyzers significantly increased due to the resumption of screening programs in each country. This resulted in total sales of 4,637 million yen (up 60.1% year-o-year).

Regarding profit, compared to the same period of the previous fiscal year, in which revenues fell due to the impact of suspending screenings and a decrease in the number of outpatients, profit increased due to the increase in revenues mainly from fecal immunochemical test reagents and COVID-19 detection reagents. Operating profit was 4,831 million yen (up 77.3% year-on-year) and ordinary profit was 4,897 million yen (up 75.2% year-on-year). Profit attributable to owners of parent amounted to 3,666 million yen (up 70.4% year-on-year).

We have applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) effective from the beginning of the first quarter of the consolidated accounting period. Further details are described in “2. Quarterly Consolidated Financial Statements and Principal Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Changes in accounting policies).”

(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 1,770 million yen, liabilities decreased by 446 million yen, and net assets increased by 2,216 million yen.

Major increases and decreases in the category of assets included an increase of 468 million yen in cash and

deposits and an increase of 480 million yen in inventories. Also, while property, plant and equipment increased by 1,287 million yen partly due to recording of construction in progress associated with the initial payment for the construction of a new research building, long-term time deposits decreased by 1,100 million yen. In the category of liabilities, notes and accounts payable - trade increased by 397 million yen, electronically recorded obligations - operating increased by 681 million yen, and other in current liabilities decreased by 1,509 million yen due to payment for investment in facilities, etc. In the category of net assets, retained earnings increased by 2,182 million yen due to recording of profit attributable to owners of parent, despite payment of dividends. Our equity ratio increased to 75.9% compared to 74.3% 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 fiscal year ending March 31, 2022, there is no change to the forecast for business results announced on April 28, 2021. For the forecast for consolidated business results for the six months ended September 30, 2021, please see “Notice Regarding Difference Between the Consolidated Business Results Forecast and Actual Results for the Six Months Ended September 30, 2021” dated October 27, 2021.

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of September 30,2021
Assets		
Current assets		
Cash and deposits	9,150	9,618
Notes and accounts receivable - trade	12,298	-
Notes and accounts receivable - trade, and contract assets	-	12,330
Securities	80	80
Merchandise and finished goods	4,492	4,514
Work in process	1,654	1,672
Raw materials and supplies	1,619	2,060
Other	693	888
Allowance for doubtful accounts	(4)	(4)
Total current assets	29,983	31,159
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,812	19,891
Accumulated depreciation	(11,725)	(12,003)
Buildings and structures, net	8,086	7,888
Machinery, equipment and vehicles	6,432	6,638
Accumulated depreciation	(5,156)	(5,302)
Machinery, equipment and vehicles, net	1,276	1,335
Tools, furniture and fixtures	4,454	4,558
Accumulated depreciation	(3,474)	(3,696)
Tools, furniture and fixtures, net	979	862
Land	1,931	1,931
Leased assets	353	348
Accumulated depreciation	(204)	(207)
Leased assets, net	148	140
Construction in progress	345	1,898
Total property, plant and equipment	12,768	14,056
Intangible assets	1,450	1,425
Investments and other assets		
Long-term time deposits	4,900	3,800
Other	6,595	7,028
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	11,481	10,814
Total non-current assets	25,701	26,296
Total assets	55,685	57,455

(Million yen)

	As of March 31,2021	As of September 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,044	4,442
Electronically recorded obligations - operating	2,636	3,318
Income taxes payable	1,373	1,331
Provision for bonuses	763	744
Other	3,954	2,445
Total current liabilities	12,772	12,281
Non-current liabilities		
Asset retirement obligations	33	34
Other	1,206	1,251
Total non-current liabilities	1,239	1,285
Total liabilities	14,012	13,566
Net assets		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus	7,973	8,000
Retained earnings	29,166	31,348
Treasury shares	(3,142)	(3,126)
Total shareholders' equity	40,895	43,121
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29	29
Foreign currency translation adjustment	112	138
Remeasurements of defined benefit plans	338	319
Total accumulated other comprehensive income	479	487
Share acquisition rights	296	280
Total net assets	41,672	43,888
Total liabilities and net assets	55,685	57,455

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Net sales	17,727	21,341
Cost of sales	9,774	11,085
Gross profit (loss)	7,953	10,255
Selling, general and administrative expenses	5,228	5,424
Operating profit (loss)	2,724	4,831
Non-operating income		
Interest income	8	9
Dividend income	1	1
Rental income	7	8
Compensation income	36	5
Outsourcing service income	-	22
Other	20	20
Non-operating income	74	68
Non-operating expenses		
Interest expenses	1	0
Loss on valuation of investment securities	1	-
Other	1	1
Non-operating expenses	4	2
Ordinary profit (loss)	2,794	4,897
Extraordinary income		
Gain on sale of non-current assets	-	1
Settlement received	110	-
Extraordinary income	110	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	27	7
Extraordinary losses	27	7
Profit (loss) before income taxes	2,877	4,891
Income taxes	725	1,224
Profit (loss)	2,151	3,666
Profit (loss) attributable to non-controlling interests	-	-
Profit (loss) attributable to owners of parent	2,151	3,666

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Profit	2,151	3,666
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Foreign currency translation adjustment	14	26
Remeasurements of defined benefit plans, net of tax	23	(19)
Total other comprehensive income	38	7
Comprehensive income	2,190	3,673
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,190	3,673
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

(Tax expense calculation)

Tax expenses on profit before income taxes are calculated by multiplying profit before income taxes by the reasonably estimated effective tax rate for the consolidated fiscal year including the second quarter of the consolidated accounting period under review after applying tax effect accounting.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

We have decided to apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. effective from the beginning of the first quarter of the consolidated accounting period and recognize revenue at the amount expected to be received in exchange for the goods or services when control over the promised goods or services is transferred to a customer.

As a result, we began recognizing revenue upon arrival for our domestic sales of merchandise and finished goods, which had previously been recognized upon shipment. In addition, if the consideration in a contract with a customer included variable consideration, the variable consideration was included in the transaction price only to the extent that it was probable that a significant reversal in the amount of cumulative revenue recorded would not occur when the uncertainty associated with the variable consideration was subsequently resolved. Furthermore, with respect to buy-sell transactions falling within the category of buyback contract, inventories for the goods in possession of buyers because of relevant financial transactions continued to be recognized, and "liabilities associated with buy-sell transactions" were recognized with respect to the amount equivalent to the ending balance of inventories for the goods in possession of buyers.

The application of the Revenue Recognition Accounting Standard is subject to the transitional treatment specified in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application of the new accounting policy to periods prior to the beginning of the first quarter of the consolidated accounting period was added to or subtracted from the beginning balance of retained earnings for the first quarter of the consolidated accounting period, and the new accounting policy has been applied from the beginning balance of the period.

Consequently, compared to the previous accounting treatment, for the six months ended September 30, 2021, net sales decreased by 235 million yen, with the cost of sales decreasing by 82 million yen, and operating profit, ordinary profit and profit before income taxes each decreasing by 152 million yen. In addition, accounts receivable - trade decreased by 991 million yen, inventories increased by 142 million yen, and other in current liabilities increased by 57 million yen due to liabilities associated with buy-sell transactions. Furthermore, the beginning balance of retained earnings decreased by 523 million yen.

Since we applied the Revenue Recognition Accounting Standard, etc., "Notes and accounts receivable - trade" which were included in "Current assets" in the consolidated balance sheets for the previous consolidated fiscal year, are included in "Notes and accounts receivable - trade, and contract assets" from the first quarter of the consolidated accounting period. In accordance with the transitional treatment specified in Paragraph 89-2 of the Revenue Recognition Accounting Standard, we have not used the new presentation method to restate figures for the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

We have decided to apply the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Accounting Standard”), etc. effective from the beginning of the first quarter of the consolidated accounting period and apply the new accounting policy specified in the Fair Value Measurement Accounting Standard, etc., prospectively, in accordance with the transitional treatment specified in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019). As a result, the valuation method for quoted shares which were included in available-for-sale securities was changed from the market value method based on the average market price during the one-month period prior to the balance sheet date to the market value method based on the market price at the balance sheet date. The impact of the application of said Accounting Standard on our consolidated financial statements is insignificant.