

Summary of Financial Results for the Fiscal Year Ended March 31, 2021

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 22, 2021
 Scheduled date of dividend payment: June 4, 2021
 Scheduled date of filing of Annual Securities Report: June 23, 2021

(Millions of yen rounded down)

1. Consolidated Performance for the Fiscal Year Ended March 31, 2021(April 1, 2020 to March 31, 2021)

(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, 2021	38,667	5.7	6,612	43.0	6,808	44.1	5,044	42.5
Fiscal year ended March 31, 2020	36,585	2.3	4,622	0.2	4,723	0.9	3,538	2.6

(Note) Comprehensive income: Fiscal year ended March 31, 2021: 5,507 million yen. 65.0% Fiscal year ended March 31, 2020: 3,337 million yen. (1.8%)

	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, 2021	136.65	135.60	12.9	12.8	17.1
Fiscal year ended March 31, 2020	95.95	95.21	9.9	9.7	12.6

(Reference) Investment profit or loss on equity method: March 2021: — million yen. March 2020: — 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, 2021	55,685	41,672	74.3	1,120.36
As of March 31, 2020	50,322	37,303	73.5	1,002.86

(Reference) Shareholders' equity: As of March 31, 2021: 41,375million yen. As of March 31, 2020: 36,987million 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, 2021	5,451	(2,193)	(1,275)	6,968
Fiscal year ended March 31, 2020	5,460	(3,711)	(1,220)	4,981

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			
Fiscal year ended March 31, 2020	—	13.00	—	17.00	30.00	1,106	31.3	3.1
Fiscal year ended March 31, 2021	—	15.00	—	26.00	41.00	1,514	30.0	3.9
Fiscal year ending March 2022 (Forecast)	—	20.00	—	21.00	41.00		30.8	

(Note) With regard to the year-end dividend for the fiscal year ending March 2021, we have increased the dividend from the latest dividend forecast 21 yen to 26 yen per share.

3. Forecasts of Consolidated Performance for the Fiscal Year Ending March 31, 2022

(April 1, 2021 to March 31, 2022)

(% figures represent year-on-year increase or decrease)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	20,200	13.9	3,330	22.2	3,370	20.6	2,610	21.3	70.67
Full year	40,400	4.5	6,370	(3.7)	6,430	(5.6)	4,910	(2.7)	132.95

【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, 2021: 43,541,438 shares
 As of March 31, 2020: 43,541,438 shares
 2) Number of treasury stock at term-end
 As of March 31, 2021: 6,611,071 shares
 As of March 31, 2020: 6,659,760 shares
 3) Average number of shares outstanding during the period
 As of March 31, 2021: 36,917,766 shares
 As of March 31, 2020: 36,881,764 shares

【Reference】Non-consolidated Financial Summaries**1. Non-Consolidated Performance for the Year Ended March 31, 2021****(April 1, 2020 to March 31, 2021)****(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, 2021	38,610	5.6	6,674	44.5	6,833	45.3	5,070	44.1
Fiscal year ended March 31, 2020	36,564	2.3	4,620	0.1	4,703	0.8	3,518	2.5

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2021	137.35	136.30
Fiscal year ended March 31, 2020	95.41	94.67

(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, 2021	55,696	41,679	74.3	1,120.56
As of March 31, 2020	50,753	37,741	73.7	1,014.73

(Reference) Shareholders' equity: As of March 31, 2021: 41,382 million yen. As of March 31, 2020: 37,425 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.

Outlook on business performance

(1) Summary of business performance for this term

During the consolidated fiscal year under review, the Japanese and overseas economies continued to face tough conditions due to the significant impact on socioeconomic activities caused by the spread of COVID-19. In addition to this external environment, a tough business environment continues in the clinical diagnostics industry due to measures to cap medical expenses.

Corporations are being forced to focus on even greater cost competitiveness and to actively expand overseas.

In the context of this business environment, Eiken Chemical Co., Ltd. has established a Medium-term Management Plan, 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 consolidated fiscal year under review went up to 38,667 million yen (up 5.7% year-on-year) due to a significant increase in sales of COVID-19 detection reagents and genetic testing devices, despite the impact of suspending screenings/screening programs and a decrease in the number of outpatients, both of which were caused by the spread of COVID-19. When breaking down net sales by classes and types of products, the impact of current market conditions discussed above caused sales of microbiological testing reagents to decline to 3,989 million yen (down 13.7% year-on-year). As for immunological and serological reagents, sales were 18,749 million yen (down 7.5% year-on-year), and sales for clinical chemistry reagents were 594 million yen (down 2.5% year-on-year). Sales in the equipment and culture medium for food and environment related category amounted to 2,125 million yen (down 1.7% year-on-year). In the area of urinalysis reagents, the increase in sales of urinalysis test strips overseas covered the decrease in sales in Japan, resulting in sales of 3,380 million yen (up 1.2% year-on-year). In other category (medical devices, genetic-related products, etc.), the significant increase in reagents for detecting COVID-19 and genetic testing devices led to sales of 9,827 million yen (up 76.2% year-on-year).

Overseas, although sales increased for genetic testing (LAMP method) reagents and urinalysis reagents, sales of fecal immunochemical test reagents/analyzers fell for the entire fiscal year under review, despite recovery trends in demand caused by the resumption of screening programs in each country. This resulted in total sales of 6,895 million yen (down 2.1% year-on-year).

Regarding profit, due to a significant increase in profit mainly for COVID-19 detection reagents, operating income was 6,612 million yen (up 43.0% year-on-year) and ordinary income was 6,808 million yen (up 44.1% year-on-year). Furthermore, profit attributable to owners of parent amounted to 5,044 million yen (up 42.5% year-on-year).

(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 5,362 million yen, liabilities increased by 993 million yen, and net assets increased by 4,368 million yen.

Major increases and decreases in the category of assets included a decrease of 948 million yen in cash and deposits, an increase of 1,280 million yen in notes and accounts receivable - trade, an increase of 592 million yen in inventories, an increase of 727 million yen in property, plant and equipment, and an increase of 3,000 million yen in long-term time deposits. In the category of liabilities, notes and accounts payable - trade decreased by 541 million yen, electronically recorded obligations - operating decreased by 101 million yen, and income taxes payable increased by 670 million yen. In the category of net assets, retained earnings increased by 3,863 million yen due to recording of profit attributable to owners of parent, despite payment of dividends. Our equity ratio increased to 74.3% compared to 73.5% 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 1,987 million yen compared to the end of the previous consolidated fiscal year, reaching 6,968 million yen on March 31, 2021.

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 5,451 million yen (compared to the net cash of 5,460 million yen in the previous fiscal year). This was mainly due to a 1,275 million yen expenditure caused by an increase in notes and accounts receivable - trade, a 582 million yen expenditure caused by an increase in inventories, a 644 million yen expenditure caused by a decrease in notes and accounts payable - trade, and 6,870 million yen in profit before income taxes. Depreciation totaled 1,711 million yen.

Cash flows from investing activities

Net cash used in investing activities was an expenditure of 2,193 million yen (compared to the net cash expenditure of 3,711 million yen in the previous fiscal year). This was mainly due to 1,554 million yen in purchase of property, plant and equipment through investment in production facilities, etc., 557 million yen in purchase of intangible assets, 5,181 million yen in payments into time deposits, and 5,139 million yen in proceeds from withdrawal of time deposits.

Cash flows from financing activities

Net cash used in financing activities was an expenditure of 1,275 million yen (compared to the net cash expenditure of 1,220 million yen in the previous fiscal year). This was mainly due to cash dividends paid of 1,180 million yen.

(4) Future prospects

Regarding future prospects, although there are heightened expectations for the dissemination of COVID-19 vaccines, a high degree of uncertainty also remains due to concern for factors such as the spread of COVID-19 variants with even stronger infectious ability and the issue of vaccine efficacy for new variants. It is difficult to forecast the end of the prolonged COVID-19 pandemic, and the Group expects tough conditions to continue due to the impact of the virus.

Under such circumstances, 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 as 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. Furthermore, the Group will continue to contribute to countermeasures against COVID-19 through the stable provision of reagents for detecting the virus, and through global expansion of those reagents. Regarding our performance forecast for the next fiscal year, we forecast net sales of 40,400 million yen (up 4.5% year-on-year), operating income of 6,370 million yen (down 3.7% year-on-year), ordinary income of 6,430 million yen (down 5.6% year-on-year), and profit attributable to owners of parent of 4,910 million yen (down 2.7% year-on-year).

Overseas, we forecast net sales of 9,090 million yen (up 31.8% year-on-year) and a sales ratio of 22.5%.

(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, 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." As announced on April 28, 2021 in the “Dividends from Surplus (Dividend Increase) and Contribution to Countermeasure Support Activities for COVID-19,” the year-end dividend for the current fiscal year has been revised to 26 yen per share. This is an increase of 5 yen per share from the most recent dividend forecast of 21 yen per share. This increase is being made based on the fact that the business results for the fiscal year ended March 31, 2021 far exceeded the previously announced business forecast. As we have already paid the interim dividend of 15 yen on December 1, 2020, the dividends on an annual basis will add up to 41 yen per share.

In regards to per share dividends for the next fiscal year, we forecast ordinary dividends consisting of an interim dividend of 20 yen and a year-end dividend of 21 yen. 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.

Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	FY 2020 (As of March 31, 2020)	FY 2021 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	10,098	9,150
Notes and accounts receivable - trade	11,017	12,298
Lease receivables	13	14
Investments in leases	275	290
Securities	—	80
Merchandise and finished goods	4,342	4,492
Work in process	1,460	1,654
Raw materials and supplies	1,371	1,619
Other	329	388
Allowance for doubtful accounts	(4)	(4)
Total current assets	28,903	29,983
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,223	19,812
Accumulated depreciation	(11,151)	(11,725)
Buildings and structures, net	8,071	8,086
Machinery, equipment and vehicles	6,159	6,432
Accumulated depreciation	(4,936)	(5,156)
Machinery, equipment and vehicles, net	1,222	1,276
Tools, furniture and fixtures	3,852	4,454
Accumulated depreciation	(3,269)	(3,474)
Tools, furniture and fixtures, net	582	979
Land	1,931	1,931
Leased assets	425	353
Accumulated depreciation	(236)	(204)
Leased assets, net	188	148
Construction in progress	43	345
Total property, plant and equipment	12,041	12,768
Intangible assets	1,019	1,450
Investments and other assets		
Investment securities	3,487	3,410
Long-term time deposits	1,900	4,900
Retirement benefit asset	1,020	1,456
Deferred tax assets	661	495
Other	1,305	1,232
Allowance for doubtful accounts	(16)	(14)
Total investments and other assets	8,357	11,481
Total non-current assets	21,418	25,701
Total assets	50,322	55,685

	FY 2020 (As of March 31, 2020)	FY 2021 (As of March 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,586	4,044
Electronically recorded obligations - operating	2,738	2,636
Lease obligations	376	377
Income taxes payable	702	1,373
Provision for bonuses	745	763
Provision for sales returns	5	8
Other	2,586	3,569
Total current liabilities	11,740	12,772
Non-current liabilities		
Lease obligations	829	782
Asset retirement obligations	33	33
Other	416	423
Total non-current liabilities	1,278	1,239
Total liabilities	13,018	14,012
Net assets		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus	7,935	7,973
Retained earnings	25,302	29,166
Treasury shares	(3,165)	(3,142)
Total shareholders' equity	36,969	40,895
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	29
Foreign currency translation adjustment	16	112
Remeasurements of defined benefit plans	(22)	338
Total accumulated other comprehensive income	17	479
Share acquisition rights	316	296
Total net assets	37,303	41,672
Total liabilities and net assets	50,322	55,685

(2) Consolidated Statements of Income

(Millions of yen)

	FY 2020 (Fiscal year ended March 31, 2020)	FY 2021 (Fiscal year ended March 31, 2021)
Net sales	36,585	38,667
Cost of sales	20,355	20,137
Gross profit	16,229	18,529
Reversal of provision for sales returns	7	5
Provision for sales returns	5	8
Gross profit - net	16,230	18,526
Selling, general and administrative expenses	11,608	11,914
Operating profit	4,622	6,612
Non-operating income		
Interest income	8	17
Dividend income	4	2
Rental income	14	16
Compensation income	5	62
Outsourcing service income	5	—
Subsidy income	21	49
Other	54	70
Total non-operating income	115	220
Non-operating expenses		
Interest expenses	4	2
Loss on valuation of investment securities	—	1
Compensation expenses	—	11
Commission expenses	5	—
Loss on cancellation of insurance policies	—	4
Other	4	4
Total non-operating expenses	14	24
Ordinary profit	4,723	6,808
Extraordinary income		
Gain on sale of non-current assets	0	—
Gain on sale of investment securities	33	—
Settlement received	—	110
Total extraordinary income	33	110
Extraordinary losses		
Loss on sale and retirement of non-current assets	32	48
Total extraordinary losses	32	48
Profit before income taxes	4,724	6,870
Income taxes - current	1,218	1,822
Income taxes - deferred	(32)	3
Total income taxes	1,185	1,825
Profit	3,538	5,044
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	3,538	5,044

Consolidated statements of comprehensive income

	(Millions of yen)	
	FY 2020 (Fiscal year ended March 31, 2020)	FY 2021 (Fiscal year ended March 31, 2021)
Profit	3,538	5,044
Other comprehensive income		
Valuation difference on available-for-sale securities	(28)	6
Foreign currency translation adjustment	(71)	95
Remeasurements of defined benefit plans, net of tax	(101)	360
Total other comprehensive income	(201)	462
Comprehensive income	3,337	5,507
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,337	5,507
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated statements of changes in net assets

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	25,302	(3,165)	36,969

	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

FY 2021 (Fiscal year ended March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,897	7,935	25,302	(3,165)	36,969
Changes during period					
Dividends of surplus			(1,180)		(1,180)
Profit attributable to owners of parent			5,044		5,044
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		38		23	62
Net changes in items other than shareholders' equity					
Total changes during period	—	38	3,863	22	3,925
Balance at end of period	6,897	7,973	29,166	(3,142)	40,895

	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	23	16	(22)	17	316	37,303
Changes during period						
Dividends of surplus						(1,180)
Profit attributable to owners of parent						5,044
Purchase of treasury shares						(0)
Disposal of treasury shares						62
Net changes in items other than shareholders' equity	6	95	360	462	(19)	443
Total changes during period	6	95	360	462	(19)	4,368
Balance at end of period	29	112	338	479	296	41,672

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY 2020 (Fiscal year ended March 31, 2020)	FY 2021 (Fiscal year ended March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	4,724	6,870
Depreciation	1,627	1,711
Increase (decrease) in allowance for doubtful accounts	14	(1)
Increase (decrease) in provision for sales returns	(1)	2
Increase (decrease) in provision for bonuses	6	18
Decrease (increase) in retirement benefit asset	(55)	16
Share-based payment expenses	58	42
Interest and dividend income	(13)	(20)
Interest expenses	4	2
Foreign exchange losses (gains)	(6)	3
Compensation income	(5)	(62)
Compensation expenses	—	11
Subsidy income	(21)	(49)
Loss (gain) on sale and retirement of property, plant and equipment	32	48
Loss (gain) on sale of investment securities	(33)	—
Settlement received	—	(110)
Decrease (increase) in trade receivables	937	(1,275)
Decrease (increase) in inventories	(1,362)	(582)
Decrease (increase) in other current assets	(68)	(58)
Decrease (increase) in other investments	6	0
Increase (decrease) in trade payables	745	(644)
Increase (decrease) in other current liabilities	40	386
Other, net	99	179
Subtotal	6,727	6,488
Interest and dividends received	12	23
Interest paid	(4)	(2)
Proceeds from insurance income	5	3
Settlement package received	—	110
Income taxes paid	(1,280)	(1,172)
Income taxes refund	0	0
Net cash provided by (used in) operating activities	5,460	5,451
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,307)	(1,554)
Proceeds from sale of property, plant and equipment	9	0
Purchase of intangible assets	(500)	(557)
Payments for retirement of non-current assets	(7)	(35)
Purchase of investment securities	(3,021)	—
Proceeds from sale of investment securities	79	—
Payments into time deposits	(3,126)	(5,181)
Proceeds from withdrawal of time deposits	5,100	5,139
Other payments	60	(4)
Net cash provided by (used in) investing activities	(3,711)	(2,193)
Cash flows from financing activities		
Proceeds from (payments for) disposition (purchase) of treasury stock	(0)	(0)
Dividends paid	(1,106)	(1,180)
Other, net	(114)	(94)
Net cash provided by (used in) financing activities	(1,220)	(1,275)
Effect of exchange rate change on cash and cash equivalents	4	4
Net increase (decrease) in cash and cash equivalents	532	1,987
Cash and cash equivalents at beginning of period	4,448	4,981
Cash and cash equivalents at end of period	4,981	6,968