



Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]

January 28, 2022

Company name: EIKEN CHEMICAL CO.,LTD.

Stock exchange listing: Tokyo

Code number: 4549

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

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President & CEO

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Scheduled date of filing quarterly securities report: February 10, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 01, 2021 to December 31, 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	%
Nine months ended December 31, 2021	31,831	11.5	6,643	20.1	6,740	19.2	5,036	17.5
December 31, 2020	28,547	1.9	5,531	27.2	5,656	28.0	4,284	28.5

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥ 5,085 million [16.7%]
 Nine months ended December 31, 2020: ¥ 4,359 million [31.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	136.29	135.28
December 31, 2020	116.08	115.20

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	60,008	44,579	73.8	1,197.93
March 31, 2021	55,685	41,672	74.3	1,120.36

(Reference) Equity: As of December 31, 2021: ¥ 44,281 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 3rd 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 nine months ended December 31, 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):

December 31, 2021: 43,541,438 shares

March 31, 2021: 43,541,438 shares

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

December 31, 2021: 6,576,861 shares

March 31, 2021: 6,611,071 shares

3) Average number of shares during the period:

Nine months ended December 31, 2021: 36,952,333 shares

Nine months ended December 31, 2020: 36,913,657 shares

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

(1) Qualitative Information Regarding Consolidated Operating Results

During the nine months ended December 31, 2021, the number of COVID-19 patients began declining in Japan and social and economic activities headed for normalization. Overseas, COVID-19 epidemic rebounded due to spread of new mutant variants such as the Omicron variant and increase in COVID-19 breakthrough cases after vaccination, and it remains difficult to predict when the COVID-19 ends in each country.

The business environment became even tougher in the clinical diagnostics industry due to measures to cap medical expenses and the rise in logistics cost and raw material procurement cost amid COVID-19 epidemic. 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 nine months ended December 31, 2021 went up to 31,831 million yen (up 11.5% 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 continued demand for COVID-19 detection reagents.

When breaking down net sales by classes and types of products, sales of microbiological testing reagents declined to 3,077 million yen (down 1.8% year-on-year). As for urinalysis reagents, sales were 2,900 million yen (up 12.5% year-on-year), sales for immunological and serological reagents were 16,019 million yen (up 13.7% year-on-year), and sales for clinical chemistry reagents were 479 million yen (up 2.8% year-on-year). Sales in the equipment and culture medium for food and environment related category amounted to 1,679 million yen (up 5.2% year-on-year). In other category (medical devices, genetic-related products, etc.), the continued demand for COVID-19 detection reagents led to sales of 7,674 million yen (up 14.7% 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 6,660 million yen (up 41.3% year-on-year).

Regarding profit, profit increased due to the increase in revenues mainly from fecal immunochemical test reagents and COVID-19 detection reagents. Operating profit was 6,643 million yen (up 20.1% year-on-year) and ordinary profit was 6,740 million yen (up 19.2% year-on-year). Profit attributable to owners of parent amounted to 5,036 million yen (up 17.5% 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 third 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 4,323 million yen, liabilities increased by 1,416 million yen, and net assets increased by 2,907 million yen.

Major increases and decreases in the category of assets included an increase of 1,096 million yen in cash and deposits, an increase of 1,003 million yen in notes and accounts receivable - trade, and contract assets, and an increase of 445 million yen in inventories. Also, while property, plant and equipment increased by 2,498

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 371 million yen, electronically recorded obligations - operating increased by 461 million yen, and other in current liabilities decreased by 1,516 million yen due to payment for investment in facilities, etc. Non-current liabilities increased by 3,015 million yen partly due to the issuance in October 2021 of our first sustainability bonds worth 3,000 million yen to procure funds for measures and projects contributing to resolution of both environmental and social issues. In the category of net assets, retained earnings increased by 2,813 million yen due to recording of profit attributable to owners of parent, despite payment of dividends. Our equity ratio decreased to 73.8% 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.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	9,150	10,246
Notes and accounts receivable - trade	12,298	-
Notes and accounts receivable - trade, and contract assets	-	13,302
Securities	80	-
Merchandise and finished goods	4,492	4,443
Work in process	1,654	1,709
Raw materials and supplies	1,619	2,058
Other	693	780
Allowance for doubtful accounts	(4)	(5)
Total current assets	29,983	32,535
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,812	19,961
Accumulated depreciation	(11,725)	(12,162)
Buildings and structures, net	8,086	7,798
Machinery, equipment and vehicles	6,432	6,606
Accumulated depreciation	(5,156)	(5,355)
Machinery, equipment and vehicles, net	1,276	1,251
Tools, furniture and fixtures	4,454	4,550
Accumulated depreciation	(3,474)	(3,772)
Tools, furniture and fixtures, net	979	777
Land	1,931	1,931
Leased assets	353	319
Accumulated depreciation	(204)	(197)
Leased assets, net	148	121
Construction in progress	345	3,385
Total property, plant and equipment	12,768	15,267
Intangible assets	1,450	1,384
Investments and other assets		
Long-term time deposits	4,900	3,800
Other	6,595	7,035
Allowance for doubtful accounts	(14)	(14)
Total investments and other assets	11,481	10,821
Total non-current assets	25,701	27,473
Total assets	55,685	60,008

	As of March 31,2021	As of December 31,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,044	4,416
Electronically recorded obligations - operating	2,636	3,098
Income taxes payable	1,373	838
Provision for bonuses	763	382
Other	3,954	2,438
Total current liabilities	12,772	11,174
Non-current liabilities		
Bonds payable	-	3,000
Asset retirement obligations	33	34
Other	1,206	1,220
Total non-current liabilities	1,239	4,254
Total liabilities	14,012	15,429
Net assets		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus	7,973	8,000
Retained earnings	29,166	31,979
Treasury shares	(3,142)	(3,126)
Total shareholders' equity	40,895	43,752
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29	33
Foreign currency translation adjustment	112	185
Remeasurements of defined benefit plans	338	309
Total accumulated other comprehensive income	479	528
Share acquisition rights	296	298
Total net assets	41,672	44,579
Total liabilities and net assets	55,685	60,008

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

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Net sales	28,547	31,831
Cost of sales	15,026	16,772
Gross profit	13,521	15,058
Selling, general and administrative expenses	7,989	8,415
Operating profit	5,531	6,643
Non-operating income		
Interest income	13	14
Dividend income	2	2
Rental income	11	13
Compensation income	55	11
Outsourcing service income	-	31
Subsidy income	19	17
Other	33	36
Total non-operating income	136	127
Non-operating expenses		
Interest expenses	2	4
Loss on valuation of investment securities	1	-
Loss on cancellation of insurance policies	4	-
Bond issuance costs	-	22
Other	3	2
Total non-operating expenses	11	29
Ordinary profit	5,656	6,740
Extraordinary income		
Gain on sale of non-current assets	-	1
Settlement received	110	-
Total extraordinary income	110	1
Extraordinary losses		
Loss on sale and retirement of non-current assets	43	23
Total extraordinary losses	43	23
Profit before income taxes	5,723	6,718
Income taxes	1,438	1,682
Profit	4,284	5,036
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	4,284	5,036

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

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Profit	4,284	5,036
Other comprehensive income		
Valuation difference on available-for-sale securities	3	3
Foreign currency translation adjustment	36	73
Remeasurements of defined benefit plans, net of tax	34	(28)
Total other comprehensive income	74	48
Comprehensive income	4,359	5,085
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,359	5,085
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 third 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, etc. 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 nine months ended December 31, 2021, net sales decreased by 45 million yen, with the cost of sales increasing by 2 million yen, and operating profit, ordinary profit and profit before income taxes each decreasing by 48 million yen. In addition, accounts receivable - trade decreased by 802 million yen, inventories increased by 65 million yen, and other in current liabilities increased by 65 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.