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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

October 31, 2024

Company name: EIKEN CHEMICAL CO.,LTD.

Listing: Tokyo

Securities code: 4549

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President & CEO

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Scheduled date to file semi-annual securities report: November 11, 2024

Scheduled date to commence dividend payments: December 2, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	19,729	(2.6)	1,566	(27.1)	1,698	(23.7)	1,309	(19.1)
September 30, 2023	20,264	(11.4)	2,148	(62.0)	2,225	(61.1)	1,618	(62.5)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 1,230 million [(26.4) %]

Six months ended September 30, 2023: ¥ 1,672 million [(61.8) %]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	37.84	37.51
September 30, 2023	43.69	43.32

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2024	62,818	46,376	73.3	1,328.79
March 31, 2024	61,651	45,971	74.0	1,318.38

(Reference) Equity: As of September 30, 2024: ¥ 46,018 million

As of March 31, 2024: ¥ 45,613 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, 2024	-	25.00	-	26.00	51.00
Fiscal year ending March 31, 2025	-	26.00			
Fiscal year ending March 31, 2025 (Forecast)			-	27.00	53.00

(Note) Revision to the forecast for dividends announced most recently: None

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2025 :

Commemorative dividend - yen
Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	40,200	0.4	3,210	(5.0)	3,270	(8.4)	2,620	(0.5)	76.36

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)

Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: Yes

4) Restatement: None

(4) Number of issued shares (common shares)

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

September 30, 2024: 38,541,438shares

March 31, 2024: 40,041,438shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 3,909,759shares

March 31, 2024: 5,443,508shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 34,611,998shares

Six months ended September 30, 2023: 37,057,611shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

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1. Overview of Consolidated Business Performance

(1) Summary of Consolidated Business Performance for Semi-annual of the Current Fiscal Year

During the semi-annual of the current fiscal year, the domestic and overseas economies remained uncertain due to downside risks owing to surging resource prices and the effects of monetary tightening.

The business environment became increasingly severe in the clinical diagnostics industry due to measures to cap medical expenses and rising costs such as for logistics and raw material procurement, on account of yen depreciation and high crude oil prices. Corporations were obliged to focus on 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.” Through these efforts, we strive to further enhance our corporate value and achieve a sustainable society.

The net sales for the semi-annual consolidated fiscal year under review declined to 19,729 million yen (down 2.6% year-on-year) amid a decrease in sales of fecal immunochemical test reagents for overseas markets. For net sales by product class and type, sales of microbiological testing reagents were 2,194 million yen (up 3.0% year-on-year) amid increased sales of the rapid diagnostic kits for our new products (Immunocatch –Strep A, Immunocatch –Adeno). Sales of urinalysis reagents were 2,293 million yen (up 11.1% year-on-year) amid growth in sales of urine test strips for both domestic and overseas markets. For sales of immunological and serological reagents were 11,484 million yen (down 0.1% year-on-year) amid a decrease in sales of overseas markets, despite continuing strength in sales of fecal immunochemical test reagents for domestic markets remained strong. Sales of clinical chemistry reagents were 295 million yen (up 0.1% year-on-year) and sales of the equipment and culture medium for food and environment related category were 1,001 million yen (up 1.4% year-on-year). Sales in other category (medical devices, genetic-related products, etc.) were 2,460 million yen (down 25.1% year-on-year) amid a decrease in sales for COVID-19 detection reagents.

Overseas sales were 4,898 million yen (down 6.4% year-on-year) amid a decrease in sales of fecal immunochemical test reagents, despite strong growth in sales of urinalysis reagents.

Regarding profit, amid changes in the sales mix, including a decrease in sales of COVID-19 detection reagents and fecal immunochemical test reagents for overseas markets, operating profit was 1,566 million yen (down 27.1% year-on-year), ordinary profit was 1,698 million yen (down 23.7% year-on-year) and profit attributable to owners of parent was 1,309 million yen (down 19.1% year-on-year).

(2) Summary of Consolidated Financial Position for Semi-annual of the Current Fiscal Year

The financial position at the end of the semi-annual 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 1,166 million yen, liabilities increased by 761 million yen and net assets increased by 405 million yen.

Major increases and decreases in the category of assets were a decrease of 3,260 million yen in cash and deposits and a decrease of 1,196 million yen in notes and accounts receivable - trade, and contract assets. In addition, property, plant and equipment increased by 3,742 million yen amid the recording of construction in progress accompanying the payment of construction expenses for the new manufacturing building at Nogi Division. In addition, long-term time deposits increased by 1,100 million yen. In the category of liabilities, notes and accounts payable - trade increased by 280 million yen, electronically recorded obligations - operating increased by 331 million yen and other current liabilities decreased by 601 million yen amid a decrease in accounts payable. In the category of net assets, despite the payment of dividends, shareholders' equity increased

by 483 million yen amid the recording of profit attributable to owners of parent. In addition, capital surplus decreased by 38 million yen, retained earnings decreased by 1,528 million yen and treasury shares decreased by 1,567 million yen amid the cancellation of treasury shares.

As a result of the above, the equity ratio increased to 74.0% from 73.3% at the end of the previous consolidated fiscal year.

(3) Semi-annual Information Regarding Forecasts for Consolidated Business Performance

For the consolidated financial results forecasts for the full year ending March 31, 2025, please refer to “Notice On Differences between Financial Results Forecast and Financial Results for the Semi-annual of Fiscal Year, ending March 31, 2025, and Revision of Consolidated Financial Forecast” announced on October 31, 2024.

2.Semi-annual Consolidated Financial Statements and Principal Notes

(1)Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	16,308	13,047
Notes and accounts receivable - trade, and contract assets	12,482	11,285
Merchandise and finished goods	4,170	4,454
Work in process	2,035	2,138
Raw materials and supplies	1,892	1,945
Other	971	1,085
Allowance for doubtful accounts	(7)	(6)
Total current assets	37,851	33,951
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,811	26,055
Accumulated depreciation	(13,821)	(14,257)
Buildings and structures, net	11,989	11,798
Machinery, equipment and vehicles	7,638	8,263
Accumulated depreciation	(6,115)	(6,358)
Machinery, equipment and vehicles, net	1,522	1,905
Tools, furniture and fixtures	5,371	5,737
Accumulated depreciation	(4,374)	(4,656)
Tools, furniture and fixtures, net	996	1,080
Land	1,928	1,928
Leased assets	286	291
Accumulated depreciation	(133)	(104)
Leased assets, net	153	186
Construction in progress	414	3,847
Total property, plant and equipment	17,005	20,748
Intangible assets	792	705
Investments and other assets		
Long-term time deposits	1,900	3,000
Other	4,125	4,436
Allowance for doubtful accounts	(23)	(23)
Total investments and other assets	6,001	7,412
Total non-current assets	23,799	28,866
Total assets	61,651	62,818

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,648	4,929
Electronically recorded obligations - operating	2,759	3,091
Income taxes payable	-	544
Provision for bonuses	674	690
Other	3,269	2,667
Total current liabilities	11,351	11,922
Non-current liabilities		
Bonds payable	3,000	3,000
Asset retirement obligations	35	129
Other	1,293	1,390
Total non-current liabilities	4,329	4,519
Total liabilities	15,680	16,442
Net assets		
Shareholders' equity		
Share capital	6,897	6,897
Capital surplus	7,892	7,892
Retained earnings	35,801	34,682
Treasury shares	(5,686)	(4,084)
Total shareholders' equity	44,904	45,388
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35	2
Foreign currency translation adjustment	353	328
Remeasurements of defined benefit plans	319	299
Total accumulated other comprehensive income	708	629
Share acquisition rights	358	358
Total net assets	45,971	46,376
Total liabilities and net assets	61,651	62,818

(2)Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	20,264	19,729
Cost of sales	11,625	11,522
Gross profit	8,639	8,207
Selling, general and administrative expenses	6,490	6,640
Operating profit	2,148	1,566
Non-operating income		
Interest income	4	5
Dividend income	2	3
Rental income	10	7
Compensation income for damage	-	64
Compensation income	2	5
Subsidy income	10	31
Foreign exchange gains	38	2
Other	18	31
Total non-operating income	87	151
Non-operating expenses		
Interest expenses	8	8
Other	1	10
Total non-operating expenses	10	19
Ordinary profit	2,225	1,698
Extraordinary income		
Gain on sale of non-current assets	1	-
Gain on sale of investment securities	-	49
Total extraordinary income	1	49
Extraordinary losses		
Loss on sale and retirement of non-current assets	54	0
Total extraordinary losses	54	0
Profit before income taxes	2,172	1,747
Income taxes	553	437
Profit	1,618	1,309
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,618	1,309

Semi-annual Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	1,618	1,309
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(33)
Foreign currency translation adjustment	59	(25)
Remeasurements of defined benefit plans, net of tax	(7)	(20)
Total other comprehensive income	53	(78)
Comprehensive income	1,672	1,230
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,672	1,230
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

(Retirement of treasury shares)

In accordance with resolution of a meeting of the Board of Directors held on April 24, 2024, the Company retired 1,500,000 treasury shares on April 26, 2024. As a result, for the semi-annual of the current fiscal year, retained earnings and treasury shares each decreased by 1,567 million yen.

(Accounting methods adopted particularly for the preparation of semi-annual 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 semi-annual of the consolidated accounting period under review after applying tax effect accounting.

(Changes in accounting estimates)

(Change in estimates of asset retirement obligations)

As result of the acquisition of the recent information on restoration costs, the Company changed its estimates for expected restoration costs and expected usage period with respect to asset retirement obligations which it had recognized as restoration obligations arising from the Company's real estate lease agreements.

This change in the estimate increases the balance of asset retirement obligations by 93 million yen.

As a result of this change in estimates, operating profit, ordinary profit and profit before income taxes decreased by 16 million yen each.

(Significant subsequent events)

(Purchase of treasury shares)

At a meeting of the Board of Directors held on October 31, 2024, the Company resolved matters pertaining to the purchase of treasury shares in accordance with Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the same act.

1. Reasons for the purchase of treasury shares

To improve capital efficiency and return profits to shareholders as part of capital policy.

2. Details of matters related to the purchase of treasury shares

(1) Type of shares to be purchased

Common shares

(2) Total number of shares that may be purchased

2,000,000 shares (maximum) (Ratio to the total number of issued shares, excluding treasury shares: 5.78%)

(3) Total purchase cost

5,000 million yen (maximum)

(4) Purchase period

November 1, 2024 to July 31, 2025

(5) Purchase method

Market purchase on the Tokyo Stock Exchange