May 22, 2020

Consolidated Financial Results for the Year Ended March 31, 2020 [JGAAP]

Listed company name: KAKEN PHARMACEUTICAL Co., Ltd. Listing: Tokyo Stock Exchange First Section
Stock code number: 4521 (URL: http://www.kaken.co.jp)
Representative: Tetsuo Onuma, President and Representative Director
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Telephone: +81-3-5977-5002
Scheduled Date to Hold the Ordinary General Meeting of Shareholders: June 26, 2020
Scheduled Date to Commence Dividends Payment: June 29, 2020
Scheduled Date to Submit the Securities Report: June 26, 2020
Availability of supplementary briefing material: Available
Schedule of annual results briefing session: Scheduled (for institutional investors and analysts)

(Figures less than one million yen have been omitted)

1. Consolidated Financial Results for the Fiscal 2019 (April 1, 2019 to March 31, 2020)

(1) Consolidated Results of Operations

(Percentage figures indicate changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)	(Millions of yen)	Change (%)
Fiscal 2019	89,232	(5.2)	26,512	7.8	26,946	7.9	19,370	9.0
Fiscal 2018	94,165	(4.3)	24,592	(10.6)	24,972	(10.3)	17,775	(6.7)

Note:
Comprehensive income:
Fiscal 2019: ¥ 17,487 million [4.2%]
Fiscal 2018: ¥ 16,782 million [(19.1)%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	(Yen)	(Yen)	Change (%)	Change (%)	Change (%)
Fiscal 2019	494.89	-	15.5	17.2	29.7
Fiscal 2018	445.78	-	15.1	16.2	26.1

Reference:
Equity in earnings (losses) of affiliates:
Fiscal 2019: ¥ - million
Fiscal 2018: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(Millions of yen)	(Millions of yen)	(%)	(Yen)
Fiscal 2019	157,875	128,468	81.4	3,301.09
Fiscal 2018	155,985	121,131	77.7	3,049.78

Reference:
Equity:
Fiscal 2019: ¥ 128,468 million
Fiscal 2018: ¥ 121,131 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of year
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(Millions of yen)
Fiscal 2019	27,468	(2,528)	(10,173)	73,322
Fiscal 2018	21,129	(5,744)	(9,524)	58,555

2. Dividends

	Annual cash dividends					Total amount of cash dividends (Annual)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
	(Yen)	(Yen)	(Yen)	(Yen)	(Yen)	(Millions of yen)	(%)	(%)
Fiscal 2018	-	75.00	-	75.00	150.00	5,957	33.6	5.1
Fiscal 2019	-	75.00	-	75.00	150.00	5,840	30.3	4.7
Fiscal 2020 (Forecast)	-	75.00	-	75.00	150.00		38.9	

3. Forecast of Consolidated Results for Fiscal 2020 (April 1, 2020 to March 31, 2021)

(Percentage figures indicate changes from the previous year)

	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)
Six-Month period	41,000	(9.2)	10,900	(20.7)	11,100	(20.3)	7,900	(17.3)	203.00
Full year	82,900	(7.1)	20,800	(21.5)	21,200	(21.3)	15,000	(22.6)	385.43

The spread of COVID-19 has exerted an impact on business activities of the KAKEN Group such as restraint on receiving medical consultation at medical institutions and restriction on medical information provision activities. For this reason, the impact on the business performance of the Group to some extent is expected. Due to difficulties inherent in predicting such impact at this time, however, it has not been factored into the business forecast. In case any revision to the business forecast is required in the future, it will be disclosed immediately.

*** Notes**

(1) Significant changes of subsidiaries during the period (Changes of specified subsidiaries followed by changes in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies related to amendments of accounting standards, etc.: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Corrections of errors: None

(3) Issued shares (Common stock)

1) Number of shares issued (including treasury stock) at the period end	Fiscal 2019	45,939,730 shares	Fiscal 2018	48,439,730 shares
2) Number of treasury stock at the period end	Fiscal 2019	7,022,576 shares	Fiscal 2018	8,721,768 shares
3) Average number of shares during the period	Fiscal 2019	39,140,165 shares	Fiscal 2018	39,874,831 shares

Note: Number of treasury stock at the period end includes the Company's shares held by the "Board Benefit Trust (BBT)" (41,100 shares as of March 31, 2020). The Company's shares held by the BBT (14,598 shares as of March 31, 2020) are included in the number of treasury stock to be deducted in calculating the average number of shares during the period.

* These consolidated financial results are outside the scope of audit by certified public accountants or audit firms.

* Explanation for the appropriate use of performance forecasts and other special notes:

(Caution regarding forward-looking statements)

The performance forecasts and other descriptions on future events presented in this material are based on information that was available when this material was prepared and based on certain assumptions considered to be reasonable. The actual performance, etc. may differ from these forecasts.

(Obtaining Method of the Supplementary Material for the Financial Results)

The supplementary material for the financial results will be available together with the financial results on the Company's website.

4. Consolidated Financial Results for Fiscal 2019

(1) Consolidated balance sheets

(Unit: Millions of yen)

	Fiscal 2018 (As of March 31, 2019)	Fiscal 2019 (As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	46,956	59,722
Notes and accounts receivable-trade	30,340	21,800
Marketable securities	11,599	13,599
Merchandise and finished goods	6,113	4,762
Work in process	2,647	2,829
Raw materials and supplies	4,959	4,683
Other	1,114	938
Allowance for doubtful accounts	(0)	(0)
Total current assets	103,731	108,336
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,668	41,821
Accumulated depreciation	(24,224)	(25,057)
Buildings and structures, net	17,443	16,764
Machinery, equipment and vehicles	15,345	15,542
Accumulated depreciation	(12,199)	(12,763)
Machinery, equipment and vehicles, net	3,146	2,778
Tools, furniture and fixtures	7,380	7,393
Accumulated depreciation	(6,059)	(6,061)
Tools, furniture and fixtures, net	1,320	1,331
Land	4,324	4,324
Construction in progress	166	317
Total property, plant and equipment	26,402	25,518
Intangible assets	551	414
Investments and other assets		
Investment securities	17,068	15,036
Long-term prepaid expenses	4,610	4,450
Deferred tax assets	2,934	3,229
Other	685	888
Total investments and other assets	25,299	23,605
Total non-current assets	52,254	49,538
Total assets	155,985	157,875

(Unit: Millions of yen)

	Fiscal 2018 (As of March 31, 2019)	Fiscal 2019 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,729	7,720
Electronically recorded obligations-operating	1,529	962
Short-term bank loans	3,875	3,850
Accounts payable-other	3,639	2,803
Accrued expenses	427	535
Income taxes payable	4,042	2,904
Provision for bonuses	1,149	1,082
Provision for directors' bonuses	86	93
Provision for sales returns	7	4
Provision for sales rebates	314	312
Other	1,777	1,386
Total current liabilities	27,580	21,655
Non-current liabilities		
Provision for share-based remuneration	-	47
Net defined benefit liability	6,642	7,303
Other	631	400
Total non-current liabilities	7,274	7,750
Total liabilities	34,854	29,406
Net assets		
Shareholders' equity		
Common stock	23,853	23,853
Capital surplus	11,408	11,406
Retained earnings	109,057	114,869
Treasury stock	(26,782)	(23,373)
Total shareholders' equity	117,536	126,756
Accumulated other comprehensive income		
Net unrealized holding gain on securities	4,524	3,116
Remeasurements of defined benefit plans	(930)	(1,404)
Total accumulated other comprehensive income	3,594	1,712
Total net assets	121,131	128,468
Total liabilities and net assets	155,985	157,875

(2) Consolidated statements of income and comprehensive income

(Consolidated statements of income)

(Unit: Millions of yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Net sales	94,165	89,232
Cost of sales	40,366	38,753
Gross profit	53,799	50,478
Reversal of provision for sales returns	2	2
Gross profit-net	53,802	50,481
Selling, general and administrative expenses		
Salaries	6,826	6,314
Bonuses and provision for bonuses	1,649	1,481
Provision for directors' bonuses	86	93
Retirement benefit expenses	634	476
Research and development expenses	10,261	6,418
Depreciation	224	231
Other	9,525	8,953
Total selling, general and administrative expenses	29,209	23,969
Operating profit	24,592	26,512
Other income		
Interest income	6	7
Dividends income	345	385
Other	112	155
Total other income	464	549
Other expenses		
Interest expenses	17	17
Foreign exchange losses	39	50
Loss on cancellation of insurance policies	-	25
Other	27	20
Total other expenses	84	114
Ordinary profit	24,972	26,946
Extraordinary income		
Gain on sales of non-current assets	-	4
Gain on sales of investment securities	0	3
Total extraordinary income	0	7
Extraordinary losses		
Loss on retirement of non-current assets	44	68
Loss on impairment of non-current assets	-	287
Loss on sale of golf club membership	4	6
Total extraordinary losses	49	362
Profit before income taxes	24,922	26,592
Income taxes-current	8,022	6,686
Income taxes-deferred	(874)	535
Total income taxes	7,147	7,222
Profit	17,775	19,370
Profit attributable to owners of parent	17,775	19,370

(Consolidated statements of comprehensive income)

(Unit: Millions of yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Profit	17,775	19,370
Other comprehensive income		
Net unrealized holding gain on securities	(985)	(1,408)
Remeasurements of defined benefit plans	(6)	(473)
Total other comprehensive income	(992)	(1,882)
Comprehensive income	16,782	17,487
Total comprehensive income attributable to		
Owners of parent	16,782	17,487

(3) Consolidated statements of changes in net assets
Fiscal 2018 (April 1, 2018 – March 31, 2019)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of current period	23,853	11,408	97,284	(23,259)	109,287
Changes during the year					
Cash dividends			(6,002)		(6,002)
Profit attributable to owners of parent			17,775		17,775
Purchase of treasury stock				(3,523)	(3,523)
Other, net					
Total changes during the year	-	-	11,772	(3,523)	8,249
Balance at the end of current period	23,853	11,408	109,057	(26,782)	117,536

	Accumulated other comprehensive income			Total net assets
	Net unrealized holding gain on securities	Remeasurements of defined benefit plans	Total	
Balance at the beginning of current period	5,510	(923)	4,587	113,874
Changes during the year				
Cash dividends				(6,002)
Profit attributable to owners of parent				17,775
Purchase of treasury stock				(3,523)
Other, net	(985)	(6)	(992)	(992)
Total changes during the year	(985)	(6)	(992)	7,256
Balance at the end of current period	4,524	(930)	3,594	121,131

Fiscal 2019 (April 1, 2019 – March 31, 2020)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of current period	23,853	11,408	109,057	(26,782)	117,536
Changes during the year					
Cash dividends			(5,897)		(5,897)
Profit attributable to owners of parent			19,370		19,370
Purchase of treasury stock			88	(4,341)	(4,252)
Retirement of treasury stock		(1)	(7,748)	7,750	-
Other, net					
Total changes during the year	-	(1)	5,812	3,408	9,219
Balance at the end of current period	23,853	11,406	114,869	(23,373)	126,756

	Accumulated other comprehensive income			Total net assets
	Net unrealized holding gain on securities	Remeasurements of defined benefit plans	Total	
Balance at the beginning of current period	4,524	(930)	3,594	121,131
Changes during the year				
Cash dividends				(5,897)
Profit attributable to owners of parent				19,370
Purchase of treasury stock				(4,252)
Retirement of treasury stock				-
Other, net	(1,408)	(473)	(1,882)	(1,882)
Total changes during the year	(1,408)	(473)	(1,882)	7,337
Balance at the end of current period	3,116	(1,404)	1,712	128,468

(4) Consolidated statements of cash flows

(Unit: Millions of yen)

	Fiscal 2018 (April 1, 2018 – March 31, 2019)	Fiscal 2019 (April 1, 2019 – March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	24,922	26,592
Depreciation	2,153	2,312
Loss on impairment of non-current assets	-	287
Amortization of long-term prepaid expenses	446	449
Increase (decrease) in net defined benefit liability	(154)	(22)
Interest and dividends income	(351)	(393)
Interest expenses	17	17
Loss on retirement of non-current assets	43	61
Decrease (increase) in notes and accounts receivable-trade	2,975	8,539
Decrease (increase) in inventories	2,930	1,446
Increase (decrease) in notes and accounts payable-trade	(1,193)	(3,576)
Other, net	(1,928)	(813)
Subtotal	29,861	34,900
Interest and dividends income received	351	393
Interest paid	(17)	(17)
Income taxes (paid) refund	(9,065)	(7,807)
Net cash provided by (used in) operating activities	21,129	27,468
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,908)	(2,159)
Purchase of intangible assets	(220)	(43)
Purchase of investment securities	(1)	-
Payment of long-term prepaid expenses	(3,661)	(400)
Other, net	47	75
Net cash provided by (used in) investing activities	(5,744)	(2,528)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-	(25)
Net change in treasury stock	(3,523)	(4,252)
Cash dividends paid	(6,001)	(5,896)
Net cash provided by (used in) financing activities	(9,524)	(10,173)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	5,860	14,766
Cash and cash equivalents at beginning of period	52,694	58,555
Cash and cash equivalents at end of year	58,555	73,322