July 31, 2018

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the First Three Months of Fiscal 2018 (Three-Month Period Ended June 30, 2018)

Listed exchanges: Tokyo Stock Exchange (First Section)
Stock code number: 4548
URL: http://www.seikagaku.co.jp/english/

(All amounts have been rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Three Months of Fiscal 2018 (from April 1, 2018 to June 30, 2018)

(1) Consolidated Financial Results

(Percentages indicate changes from the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
First three months of fiscal 2018	7,226	(3.7)	530	(39.3)	1,554	23.7
First three months of fiscal 2017	7,508	(9.3)	874	130.1	1,256	205.8

	Net income attributable to owners of parent		Net income per share	Diluted net income per share
	Millions of Yen	%	Yen	Yen
First three months of fiscal 2018	1,204	30.4	21.39	-
First three months of fiscal 2017	923	221.7	16.32	-

(Note) Comprehensive income:
First three months of fiscal 2018: 522 million yen [(42.9)%]
First three months of fiscal 2017: 915 million yen [-%]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2018	81,370	73,533	90.4
As of March 31, 2018	84,098	73,945	87.9

(Reference) Shareholders' equity:
As of June 30, 2018: 73,533 million yen
As of March 31, 2018: 73,945 million yen

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2017	-	13.00	-	13.00	26.00
Fiscal 2018	-				
Fiscal 2018 (Forecast)		13.00	-	13.00	26.00

(Note) Revision of the forecasts most recently announced: No

3. Forecast of Consolidated Financial Results for Fiscal 2018 (from April 1, 2018 to March 31, 2019)

(Percentages indicate changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Fiscal 2018	28,100	(6.9)	400	(71.9)	2,250	(57.8)	1,700	(56.7)	30.11

(Note) Revision of the forecasts most recently announced: No

Seikagaku Corporation announced that a resolution to acquire its treasury stocks was adopted, at the Board held on June 14, 2018. Accordingly, the influence of acquiring treasury stocks is reflected by figures of net income per share in forecast.

* Notes

(1) Changes in the status of material subsidiaries during the period: No

(2) Application of specific accounting methods for preparing the quarterly consolidated financial statements: Yes

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

(a) Changes in accounting policies accompanying revisions in accounting standards: No
(b) Changes other than those in (a) above: No
(c) Changes in accounting estimates: No
(d) Retrospective restatements: No

(4) Number of shares issued (common stock):

(a)Number of shares at the end of the period (including treasury stock)	As of June 30, 2018	56,814,093 shares	As of March 31, 2018	56,814,093 shares
(b) Number of treasury stock at the end of the period	As of June 30, 2018	338,509 shares	As of March 31, 2018	209,947 shares
(c) Average number of shares issued during the period (three months)	First three months of fiscal 2018	56,582,946 shares	First three months of fiscal 2017	56,604,527 shares

***This financial reports are not subject to the quarterly review procedures of the certified public accountant and audit firm.**

*** Disclaimer regarding forward-looking information including appropriate use of forecasted financial results**

The forecast shown in these materials are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ materially from these forecasted figures due to various factors.

1. Results of Operations for the First Quarter of Fiscal 2018 (Three-Month Period Ended June 30, 2018)

(1) Qualitative explanation on quarterly financial results

In the first three months (April 1 to June 30, 2018) of the fiscal year ending March 31, 2019 (fiscal 2018), net sales fell 3.7% year on year to ¥7,226 million. The result is attributable to a sharp decline in sales of domestic pharmaceuticals due to the impact of National Health Insurance (NHI) drug price reductions, despite growth from the LAL business and overseas pharmaceuticals.

With regard to earnings, operating income fell 39.3% year on year to ¥530 million, reflecting factors such as the sales decrease and an increase in selling, general and administrative expenses at the overseas subsidiary, with R&D expenses mostly unchanged from the same period of the previous fiscal year. Ordinary income rose 23.7% year on year to ¥1,554 million, and net income attributable to owners of parent rose 30.4% year on year to ¥1,204 million, reflecting increases in gain on sale of investment securities and royalty income.

Net sales by segment

Pharmaceuticals Business

- Domestic Pharmaceuticals (¥3,501 million, down 15.0% year on year)

Amid slight market contraction on a volume basis, deliveries to medical institutions of ARTZ, a joint function improving agent, increased slightly as a result of sales expansion measures by the sales partner. The Company’s sales fell sharply, reflecting the impact of NHI drug price reductions implemented in April 2018.

The Company’s sales of the OPEGAN series of ophthalmic surgery aids increased, with SHELLGAN continuing to grow and increases in deliveries to medical institutions and market share compensating for the impact of NHI drug price reductions.

The Company’s sales of MucoUp, a submucosal injection agent for endoscopic surgery, were at the prior-year level.

HERNICORE, a therapeutic agent for lumbar disc herniation for which the Company obtained marketing approval in Japan in March 2018, will be launched from Sales partner Kaken Pharmaceutical Co. Ltd. on August 1, 2018.

- Overseas Pharmaceuticals (¥1,805 million, up 4.6% year on year)

Although U.S. sales of Gel-One, a single-injection joint function improving agent, increased, the Company’s sales decreased due to the shipping schedule slippage to second quarter or later.

U.S. sales of SUPARTZ FX, a 5-injection joint function improving agent, fell, reflecting an increasing preference in the U.S. market for products that require a low number of injections, such as single-injection and 3-injection products. The Company’s sales increased as a result of concentration of shipments in the first quarter.

Sales of ARTZ in China (P.R.C.) are on an upward trend, despite transitory increases and decreases, reflecting strengthening of sales expansion activities targeting not only urban areas, but also surrounding areas. The Company’s sales increased as a result of factors including the backlash of a local inventory adjustment implemented in the first quarter of the previous fiscal year.

- Bulk Products (¥219 million, down 20.6% year on year)

Sales of chondroitin sulfate increased, although sales of hyaluronic acid remained at prior year level.

As a result of these developments, sales from the pharmaceuticals business segment fell 8.3% year on year to ¥5,560 million.

LAL Business

Sales of the LAL business rose 15.3% year on year to ¥1,666 million as a result of increases in domestic and overseas sales of endotoxin-detecting reagents and other products.

(2) Explanation of forward-looking information, including the forecast of consolidated financial results

Although in the first quarter the Company achieved the full-year forecast for operating income in the forecast of consolidated financial results for fiscal 2018 announced on May 11, 2018, in light of factors such as concentration of R&D expenses in the second quarter and beyond, there is no change to the forecast of consolidated financial results.

Note: The forecast shown in these materials are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ materially from these forecasted figures due to various factors.

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