November 7, 2018

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

Listed exchanges: Tokyo Stock Exchange (First Section)
Stock code number: 4548
URL: http://www.seikagaku.co.jp/english/
Scheduled date to commence dividend payment: December 4, 2018

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

1. Consolidated Financial Results for the First Six Months of Fiscal 2018
(from April 1, 2018 to September 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 six months of fiscal 2018	14,256	(8.0)	963	(56.6)	2,475	(48.4)
First six months of fiscal 2017	15,495	2.7	2,218	183.4	4,794	248.3

	Net income attributable to owners of parent		Net income per share	Diluted net income per share
	Millions of Yen	%	Yen	Yen
First six months of fiscal 2018	1,912	(46.1)	33.85	-
First six months of fiscal 2017	3,550	250.4	62.73	-

(Note) Comprehensive income:
First six months of fiscal 2018: 1,682 million yen [(58.6) %]
First six months of fiscal 2017: 4,065 million yen [- %]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2018	81,517	74,589	91.5
As of March 31, 2018	84,098	73,945	87.9

(Reference) Shareholders' equity:
As of September 30, 2018: 74,589 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	-	13.00			
Fiscal 2018 (Forecast)			-	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

* 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 September 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 September 30, 2018	410,037 shares	As of March 31, 2018	209,947 shares
(c) Average number of shares issued during the period (six months)	First six months of fiscal 2018	56,499,080 shares	First six months of fiscal 2017	56,604,474 shares

*** This financial reports are not subject to the quarterly review procedures.**

*** 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 Six Months of Fiscal 2018
(Six-Month Period Ended September 30, 2018)

(1) Qualitative explanation on quarterly financial results

In the first six months (April 1 to September 30, 2018) of the fiscal year ending March 31, 2019 (fiscal 2018), net sales fell 8.0% year on year to ¥14,256 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 in Japan and overseas.

With regard to earnings, although selling, general and administrative expenses were mostly unchanged from the same period of the previous fiscal year, operating income fell 56.6% year on year to ¥963 million, reflecting factors such as the sales decrease and an increase in the cost of sales ratio accompanying NHI drug price reductions. Ordinary income fell 48.4% year on year to ¥2,475 million, reflecting a decrease in royalty income, which more than offset an increase in gain on sale of investment securities, and net income attributable to owners of parent fell 46.1% year on year to ¥1,912 million.

Net sales by segment

Pharmaceuticals Business

- Domestic Pharmaceuticals (¥6,974 million, down 17.5% year on year)

Amid overall market contraction on a volume basis, deliveries to medical institutions of ARTZ, a joint function improving agent, decreased only slightly thanks to 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 were at the prior-year level, 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 surgical aid for endoscopic mucosal resection, increased thanks to sales expansion measures by the sales partner.

The Company began selling HERNICORE, a treatment for lumbar disc herniation, through sales partner Kaken Pharmaceutical on August 1, 2018. We will strive for a phased rollout while promoting appropriate use. Since fiscal 2018 is the launch year, the Company's sales are small.

- Overseas Pharmaceuticals (¥3,429 million, down 4.4% year on year)

In the U.S., the market environment for hyaluronic acid injectable treatments is becoming increasingly difficult for reasons such as intensifying competition and tightening of reimbursement requirements by some insurance companies. In these circumstances, although local sales and the Company's sales of Gel-One, a single-injection joint function improving agent, increased, the rate of growth is gradually slowing. Local sales of SUPARTZ FX, a 5-injection joint function improving agent, softened, reflecting the strong impact of tightening of reimbursement requirements, and the Company's sales declined sharply from a high level in the first half of the previous fiscal year.

Local sales of ARTZ in China (P.R.C.) are on an upward trend, reflecting strengthening of sales expansion activities targeting not only urban areas, but also surrounding areas. The Company's sales increased year on year, partly reflecting a rebound from a local inventory adjustment implemented in the first half of the previous fiscal year.

- Bulk Products (¥535 million, up 3.1% year on year)

Although sales of hyaluronic acid decreased, sales of chondroitin sulfate increased, mainly in overseas markets.

As a result of these developments, sales from the pharmaceuticals business segment fell 12.9% year on year to ¥10,939 million.

LAL Business

Sales of the LAL business rose 13.0% year on year to ¥3,317 million as a result of strong domestic and overseas sales of endotoxin-detecting reagents and other products. Overseas subsidiary Associates of Cape Cod is focusing on reinforcing sales operations through measures including switching from selling through distributors to direct selling in Europe, and its sales of endotoxin-detecting reagents and glucan-detecting in-vitro diagnostic reagents are increasing.

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

Although in the first half, the Company reached the full-year earnings forecast 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 third quarter or later, 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.

#######