November 7, 2017

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the First Six Months of Fiscal 2017 (Six-Month Period Ended September 30, 2017)

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, 2017

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

1. Consolidated Financial Results for the First Six Months of Fiscal 2017
(from April 1, 2017 to September 30, 2017)

(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 2017	15,495	2.7	2,218	183.4	4,794	248.3
First six months of fiscal 2016	15,085	(5.4)	783	(61.8)	1,376	(46.5)

	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 2017	3,550	250.4	62.73	-
First six months of fiscal 2016	1,013	(47.8)	17.87	-

(Note) Comprehensive income:
First six months of fiscal 2017: 4,065 million yen [- %]
First six months of fiscal 2016: (180) million yen [- %]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2017	84,362	73,692	87.4
As of March 31, 2017	80,048	70,646	88.3

(Reference) Shareholders' equity:
As of September 30, 2017: 73,692 million yen
As of March 31, 2017: 70,646 million yen

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2016	-	13.00	-	18.00	31.00
Fiscal 2017	-	13.00			
Fiscal 2017 (Forecast)			-	13.00	26.00

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

3. Forecast of Consolidated Financial Results for Fiscal 2017 (from April 1, 2017 to March 31, 2018)

(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 2017	30,300	2.4	1,500	17.0	3,750	51.4	2,700	51.0	47.65

(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, 2017	56,814,093 shares	As of March 31, 2017	56,814,093 shares
(b) Number of treasury stock at the end of the period	As of September 30, 2017	209,709 shares	As of March 31, 2017	209,561 shares
(c) Average number of shares issued during the period (six months)	First six months of fiscal 2017	56,604,474 shares	First six months of fiscal 2016	56,720,945 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 2017
(Six-Month Period Ended September 30, 2017)

(1) Qualitative explanation on quarterly financial results

In the first six months (April 1 to September 30, 2017) of the fiscal year ending March 31, 2018 (fiscal 2017), net sales rose 2.7% year on year to ¥15,495 million. This is attributable to factors including an increase in shipments due to an inventory build-up of SUPARTZ FX in the U.S. and the impact of yen depreciation, despite a backlash from a high level in the same period of fiscal 2016 in shipments of ARTZ in Japan and inventory adjustments of ARTZ in China.

With regard to earnings, operating income rose 183.4%, year on year to ¥2,218 million, reflecting the sales increased coupled with a decrease in selling, general and administrative expenses as a result of partial slippage of planned R&D expenses to the third quarter or later. Ordinary income rose 248.3% year on year to ¥4,794 million, and net income attributable to owners of parent rose 250.4% year on year to ¥3,550 million, reflecting a sharp increase in royalty income and a gain on valuation of foreign currency-denominated assets compared with a loss in the same period of fiscal 2016.

1) Net sales by segment

Pharmaceuticals Business

- Domestic Pharmaceuticals (¥8,453 million, down 0.8% year on year)

In a flat overall market, deliveries to medical institutions and the Company's sales of ARTZ, a joint function improving agent, declined slightly reflecting a backlash from a sales increase in the same period of fiscal 2016 accompanying the introduction of new syringes.

Deliveries to medical institutions and market share of the OPEGAN series, ophthalmic surgery aid, rose sharply as market penetration of SHELLGAN, launched in July 2016, steadily progressed as a result of vigorous sales promotion activities, and the Company's sales increased as well.

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

- Overseas Pharmaceuticals (¥3,586 million, up 11.1% year on year)

U.S. sales volumes of Gel-One, a single-injection joint function improving agent, continue to increase. The Company's sales were at the prior-year level due to the impact of concentration of shipments associated with a label change in the same period of fiscal 2016 and a decline in local selling prices accompanying price adjustments for some major customers, despite the impact of yen depreciation.

Although U.S. sales of SUPARTZ FX, a 5-injection joint function improving agent, fell slightly amid increasingly fierce competition, the Company's sales increased as a result of concentration of shipments accompanying a local inventory buildup.

The impact of the Chinese government's price-curbing policy is running its course, and sales of ARTZ in China (P.R.C.) increased slightly. The Company's sales decreased due to local inventory adjustments.

- Bulk Products (¥519 million, down 3.1% year on year)

Although sales of hyaluronic acid were at the prior-year level, overall sales declined slightly, reflecting timing factors of chondroitin sulfate shipment.

As a result of these developments, sales from the pharmaceuticals business segment rose 2.3% year on year to ¥12,559 million.

LAL Business

Sales of the LAL business rose 4.7% year on year to ¥2,936 million as a result of increase overseas sales of endotoxin-detecting reagents and other products, mainly at the U.S. subsidiary, despite a decrease in sales to dialysis facilities in Japan.

2) Research and Development Activities

The Company focuses its research and development on glycoscience as its area of specialization and aims to develop as a “Global Category Pharma” that contributes to healthy and fulfilling lives for people around the world. To achieve early and continuous launching of new drugs, which hold the key to future business growth, the Company is strengthening research and development capabilities and working to expand and enhance the glycoscience research network in Japan and overseas.

Total R&D expenses in the first six months of fiscal 2017 were ¥3,205 million, or 20.7% of net sales.

The status of progress of principal R&D activities is described below.

A new drug application (NDA) has been submitted in Japan for SI-6603, a treatment for lumbar disc herniation. Although the NDA examination is taking time, the Company believes that it is progressing and will continue to endeavor to obtain marketing approval at an early date.

Phase III clinical trial for SI-6603 conducted in the U.S., demonstrated the expected pharmacologic effect but failed to meet its primary endpoint, change in worst leg pain at week thirteen (13). No major safety concerns were found, and the safety of SI-6603 was confirmed. Seikagaku will work with the licensing partner, Ferring Pharmaceuticals and communicate with the U.S. Food and Drug Administration for initiation of a new Phase III clinical trial in the U.S. at an early date.

In September 2017, the Company concluded an agreement with Ono Pharmaceutical related to co-development and marketing collaboration in Japan on SI-613, an osteoarthritis treatment. The Company and Ono Pharmaceutical also jointly initiated a late-stage Phase II clinical trial of SI-613 for enthesopathy.

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

Although earning of first six months for Fiscal 2017 reached the forecast of consolidated financial results, disclosed on May 12, 2017, there is no change to the forecast due to concentration of R&D expenses in third quarter or later.

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