February 2, 2018

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the First Nine Months of Fiscal 2017 (Nine-Month Period Ended December 31, 2017)

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 Nine Months of Fiscal 2017
(from April 1, 2017 to December 31, 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 nine months of fiscal 2017	23,401	5.8	3,131	255.1	5,889	192.0
First nine months of fiscal 2016	22,128	(5.6)	881	(67.9)	2,016	(49.7)

	Net income attributable to owners of parent		Net income per share	Diluted net income per share
	Millions of Yen	%	Yen	Yen
First nine months of fiscal 2017	4,350	193.7	76.87	-
First nine months of fiscal 2016	1,481	(50.9)	26.14	-

(Note) Comprehensive income:
First nine months of fiscal 2017: 5,597 million yen [303.2%]
First nine months of fiscal 2016: 1,388 million yen [(60.9)%]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2017	85,758	74,488	86.9
As of March 31, 2017	80,048	70,646	88.3

(Reference) Shareholders' equity:
As of December 31, 2017: 74,488 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 December 31, 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 December 31, 2017	209,809 shares	As of March 31, 2017	209,561 shares
(c) Average number of shares issued during the period (nine months)	First nine months of fiscal 2017	56,604,421 shares	First nine months of fiscal 2016	56,681,990 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 Nine Months of Fiscal 2017
(Nine-Month Period Ended December 31, 2017)

(1) Qualitative explanation on quarterly financial results

In the first nine months (April 1 to December 31, 2017) of the fiscal year ending March 31, 2018 (fiscal 2017), net sales rose 5.8% year on year to ¥23,401 million. The result is attributable to increases in shipments of domestic and overseas pharmaceuticals and the impact of yen depreciation.

With regard to earnings, operating income rose 255.1% year on year to ¥3,131 million. This rise reflects both the sales increase and a decrease in the cost of sales ratio resulting in part from production efficiency improvement and, in addition, a decrease in selling, general and administrative expenses resulting primarily from R&D expenses slippage to next quarter. Ordinary income rose 192.0% year on year to ¥5,889 million, and net income attributable to owners of parent rose 193.7% year on year to ¥4,350 million, reflecting a sharp increase in royalty income, among other factors.

Net sales by segment

Pharmaceuticals Business

-Domestic Pharmaceuticals (¥12,881 million, up 4.7% year on year)

In a flat overall market, deliveries to medical institutions of ARTZ, a joint function improving agent, declined slightly due to backlash of a sales increase in the same period of fiscal 2016, accompaning the introduction of new syringes. The Company’s sales increased as a result of shipment timing factors.

Deliveries to medical institutions and overall market share of the OPEGAN series, ophthalmic surgery aids, rose sharply as a result of vigorous sales promotion activities for SHELLGAN, and the Company’s sales increased as well. The Company’s sales of MucoUp, a submucosal injection agent for endoscopic surgery, increased as a result of a sales partner inventory buildup.

-Overseas Pharmaceuticals (¥5,584 million, up 13.3% year on year)

U.S. sales volumes of Gel-One, a single-injection joint function improving agent, continue to increase. The Company’s sales increased as a result of an increase in shipments and the impact of yen depreciation, despite a decline in local selling prices accompanying price adjustments for some major customers.

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 due to a sales partner 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.) decreased slightly. The Company’s sales were at the prior-year level as a result of concentration of shipments accompanying a local inventory buildup.

-Bulk Products (¥692 million, down 12.0% year on year)

Although sales of chondroitin sulfate were nearly unchanged, overall sales decreased amid fierce competition in the market for hyaluronic acid.

As a result of these developments, sales from the pharmaceuticals business segment rose 6.3% year on year to

¥19,158 million.

LAL Business

Sales of the LAL business rose 3.3% year on year to ¥4,243 million as a result of strong 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) Explanation of forward-looking information, including the forecast of consolidated financial results

Although earnings in the first nine months of fiscal 2017 reached the forecast of consolidated financial results, disclosed on May 12, 2017, there is no change to the forecast due to slippage of a part of R&D expenses to the fourth quarter and concentration of expenses in the fourth quarter accompanying with clinical trials for SI-613, an osteoarthritis treatment, and themes at the pre-clinical stage.

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