

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary)
for the First Six Months of Fiscal 2021
(Six-Month Period Ended September 30, 2021)

Listed exchanges: Tokyo Stock Exchange (First Section)

Stock code number: 4548

URL: <https://www.seikagaku.co.jp/en/>

Scheduled date to commence dividend payment: December 2, 2021

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

1. Consolidated Financial Results for the First Six Months of Fiscal 2021
(from April 1, 2021 to September 30, 2021)

(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 2021	20,530	54.6	6,038	665.0	6,393	492.9
First six months of fiscal 2020	13,277	(10.4)	789	(63.3)	1,078	(56.4)

	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 2021	5,019	422.2	89.07	-
First six months of fiscal 2020	961	(-)	17.04	-

(Note) Comprehensive income:

First six months of fiscal 2021: 6,208 million yen [315.5%]

First six months of fiscal 2020: 1,494 million yen [- %]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2021	76,728	68,824	89.7
As of March 31, 2021	69,915	63,604	91.0

(Reference) Shareholders' equity:

As of September 30, 2021: 68,824 million yen

As of March 31, 2021: 63,604 million yen

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	-	10.00	-	14.00	24.00
Fiscal 2021	-	15.00	-	-	-
Fiscal 2021 (Forecast)	-	-	-	15.00	30.00

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

3. Forecast of Consolidated Financial Results for Fiscal 2021 (from April 1, 2021 to March 31, 2022)

(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 2021	32,200	16.1	4,550	102.3	4,650	53.7	3,650	(14.4)	64.83

(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: Yes
- (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, 2021	56,814,093 shares	As of March 31, 2021	56,814,093 shares
(b) Number of treasury stock at the end of the period	As of September 30, 2021	567,772 shares	As of March 31, 2021	384,421 shares
(c) Average number of shares issued during the period (six months)	First six months of fiscal 2021	56,353,031 shares	First six months of fiscal 2020	56,421,925 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 Six Months of Fiscal 2021

(Six-Month Period Ended September 30, 2021)

(1) Qualitative explanation on quarterly financial results

In the first six months (April 1 to September 30, 2021) of the fiscal year ending March 31, 2022 (fiscal 2021), net sales were ¥20,530 million, up 54.6% year on year. The result is attributable to a rebound from the impact of the spread of COVID-19 infection in Japan and abroad in the first half of the previous fiscal year, as well as a substantial increase in royalty income (reclassified from non-operating income to net sales beginning in fiscal 2021) and the launch of the joint function improving agent JOYCLU, positive factors that offset the impact of National Health Insurance (NHI) drug price reductions in Japan.

Operating income rose 665.0% year on year to ¥6,038 million, with the sales increase offsetting higher SGA expenses, mainly R&D expenses attributable to costs related to an additional clinical study underway in the U.S. for SI-6603, a treatment for lumbar disc herniation. Ordinary income rose 492.9% year on year to ¥6,393 million, and net income attributable to owners of parent rose 422.2% to ¥5,019 million.

1) Net sales by segment

Pharmaceuticals Business

- Domestic Pharmaceuticals (¥6,805 million, up 14.2% year on year)

Deliveries to medical institutions and market share for ARTZ, a joint function improving agent for knee osteoarthritis, increased year on year as a result of continued switching from competing products partly attributable to the effect of measures to acquire new user facilities coupled with a market rebound following a contraction in the first half of the previous fiscal year caused by the spread of COVID-19 infection. The market share and volume growth offset the impact of NHI drug price reductions and led to an increase in the Company's sales.

With regard to the joint function improving agent JOYCLU, launched on May 19, 2021, although the Company called attention to the risk of shock or anaphylaxis in the Important Side Effects section of the JOYCLU package insert, in response to multiple reports of shock or anaphylaxis occurring in patients following administration of JOYCLU, the Company issued a Dear Healthcare Professionals Letter of Rapid Safety Communication (Blue Letter) on June 1. The Company will continue cooperative efforts with sales partner Ono Pharmaceutical Co., Ltd. to proactively gather side effects reports and other information and strive for early identification of the cause of the side effects with the cooperation of medical professionals and institutions.

Deliveries to medical institutions of the OPEGAN series of ophthalmic viscoelastic devices increased year on year, reflecting a rebound following market contraction in the first half of the previous fiscal year amid a decrease in the number of cataract surgeries accompanying the spread of COVID-19 infection. The Company's sales fell due to NHI drug price reductions and a decline in shipments from a high level in the first six months of fiscal 2020.

The Company's sales of MucoUp, a submucosal injection agent for endoscopic surgery, rose as a result of bringing forward shipments to the sales partner.

Deliveries to medical institutions and the Company's sales of HERNICORE, a treatment for lumbar disc herniation, increased thanks to a rebound in outpatient services following a decline in the first half of the previous fiscal year accompanying the spread of COVID-19 infection and an enhancement of information provision activities directed at medical institutions carried out together with the sales partner.

- Overseas Pharmaceuticals (¥4,449 million, up 49.5% year on year)

Local sales volume in the U.S. and the Company's sales of Gel-One, an intra-articular single-injection viscosupplement for the treatment of knee osteoarthritis, increased year on year, reflecting a rebound from the impact of factors such as the market contraction caused by the spread of COVID-19 infection in the first half of the previous fiscal year, as well as the successful measures by the sales partner to promote switching from competing products.

Local sales volume in the U.S. of SUPARTZ FX, an intra-articular 5-injection viscosupplement for the treatment of knee osteoarthritis, increased due to a rebound from the powerful impact of the spread of COVID-19 infection experienced in the first half of the previous fiscal year, despite continuation of the trend in the U.S. market toward a preference for products that require a low number of injections, such as single-injection and three-injection products. The Company's sales increased as a result of bringing forward shipments to avoid distribution risk.

Local sales volume in China of ARTZ increased because of factors including the stepping up of activities to promote prescriptions. The Company's sales rose sharply, reflecting concentration of shipments in the first half in addition to the local volume increase.

- Bulk Products and Contract Development and Manufacturing Organization*¹ (¥1,330 million, up 40.3% year on year)

Although sales of bulk products declined, overall sales increased because of growth in sales of contract development and manufacturing services at overseas subsidiary Dalton Chemical Laboratories, Inc.

As a result of these developments and a substantial increase in royalty income*² (¥3,550 million, up 3,818.3% year on year), sales from the Pharmaceuticals business segment rose 61.7% year on year to ¥16,136 million.

*¹ Starting from the consolidated financial results for the second quarter of fiscal 2020, the sales of Dalton Chemical Laboratories, Inc., which became a subsidiary in March 2020, are included in the Pharmaceuticals business.

*² Beginning in fiscal 2021, royalty income has been reclassified from non-operating income to net sales.

LAL Business

Sales from the LAL business segment increased 33.2% year on year to ¥4,394 million due to an increase in sales of Bacterial Endotoxin Testing (BET) reagents and Clinical Diagnostic (Fungitell) reagents thanks to reinforcement of sales activities at overseas subsidiary Associates of Cape Cod, Inc. and to higher orders for BET contract services and steady sales in Japan.

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

Although in the second quarter the Company achieved the full-year income forecasts in the forecast of consolidated financial results announced on May 13, 2021, the result is attributable to concentration in the first half of sales drivers such as royalty income and bringing forward of shipments of overseas pharmaceuticals. In light of anticipated higher R&D expenses to result from costs related to measures to promote subject enrollment for an additional clinical study for SI-6603 in the third quarter and beyond and the impact on sales of JOYCLU of issuance of the Blue Letter, there is no change in the forecast of full-year consolidated financial results.

Note: The above forecast has been prepared on the basis of economic circumstances, market trends, and other assumptions made at the time of release of this document. Actual results may differ from the forecast due to a variety of factors.

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