

February 5, 2019

**SEIKAGAKU CORPORATION**  
**Consolidated Financial Results (Japan GAAP) (Summary)**  
**for the First Nine Months of Fiscal 2018**  
**(Nine-Month Period Ended December 31, 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 Nine Months of Fiscal 2018**

(from April 1, 2018 to December 31, 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 nine months of fiscal 2018	21,586	(7.8)	1,351	(56.8)	2,953	(49.9)
First nine months of fiscal 2017	23,401	5.8	3,131	255.1	5,889	192.0

	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 2018	2,253	(48.2)	39.91	-
First nine months of fiscal 2017	4,350	193.7	76.87	-

(Note) Comprehensive income:

First nine months of fiscal 2018: 689 million yen [ (87.7)% ]

First nine months of fiscal 2017: 5,597 million yen [ 303.2 % ]

**(2) Consolidated Financial Position**

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2018	79,117	72,863	92.1
As of March 31, 2018	84,098	73,945	87.9

(Reference) Shareholders' equity:

As of December 31, 2018: 72,863 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: No**

**(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, 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 December 31, 2018	410,092 shares	As of March 31, 2018	209,947 shares
(c) Average number of shares issued during the period (nine months)	First nine months of fiscal 2018	56,467,286 shares	First nine months of fiscal 2017	56,604,421 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 (Nine-Month Period Ended December 31, 2018)**

### **(1) Qualitative explanation on quarterly financial results**

In the first nine months (April 1 to December 31, 2018) of the fiscal year ending March 31, 2019 (fiscal 2018), net sales fell 7.8% year on year to ¥21,586 million. The result is attributable to a sharp decline in sales from the pharmaceuticals business segment due to the impact of National Health Insurance (NHI) drug price reductions in Japan implemented in April 2018, despite growth from the LAL business in Japan and overseas.

With regard to earnings, although selling, general and administrative expenses decreased, operating income fell 56.8% year on year to ¥1,351 million. This decline is the result of such factors as the sales decrease and an increase in the cost of sales ratio accompanying NHI drug price reductions. Ordinary income fell 49.9% year on year to ¥2,953 million, reflecting a decrease in royalty income and other factors, which more than offset an increase in gain on sale of investment securities, and net income attributable to owners of parent fell 48.2% year on year to ¥2,253 million.

### **Net sales by segment**

#### **Pharmaceuticals Business**

##### **- Domestic Pharmaceuticals (¥10,938 million, down 15.1% year on year)**

Amid overall market contraction on a volume basis, deliveries to medical institutions of ARTZ, a joint function improving agent, increased slightly thanks to sales expansion measures by the sales partner accompanying the introduction of a modified product that meets user needs. However, the Company's sales fell sharply, reflecting the impact of NHI drug price reductions.

The Company's sales of the OPEGAN series of ophthalmic surgery aids remained at the prior-year level despite the impact of NHI drug price reductions. This result was due in part to SHELLGAN's continuing increases in deliveries to medical institutions and growth in market share.

The Company is striving for a phased rollout of HERNICORE, a treatment for lumbar disc herniation launched in August 2018, through working closely with the sales partner. This effort is being actively supported by provision of information, primarily to medical institutions, aimed at ensuring appropriate use and safety. Since fiscal 2018 is the launch year, the Company's sales are small.

The Company's sales of MucoUp, a surgical aid for endoscopic mucosal resection, were at the prior-year level.

##### **- Overseas Pharmaceuticals (¥4,909 million, down 12.1% 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 of Gel-One, an intra-articular single-injection for the treatment of knee osteoarthritis, increased thanks to sales expansion measures by the sales partner, the Company's sales decreased due to the impact of a decline in local selling prices and rescheduling of shipments into the fourth quarter. Local sales and the Company's sales of SUPARTZ FX, an intra-articular 5-injection for the treatment of knee osteoarthritis, declined sharply, reflecting the strong impact of tightening of reimbursement requirements.

Local sales of ARTZ in China (P.R.C.) and the Company's sales increased, reflecting successful sales partner sales expansion activities targeting both urban and surrounding areas.

##### **- Bulk Products (¥864 million, up 24.9% year on year)**

Sales of hyaluronic acid and chondroitin sulfate for pharmaceutical companies increased.

As a result of these developments, sales from the pharmaceuticals business segment fell 12.8% year on year to ¥16,713 million.

### **LAL Business**

Sales of the LAL business rose 14.8% year on year to ¥4,873 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 glucon-detecting in-vitro diagnostic reagents are increasing.

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

Although earnings in the first nine months of fiscal 2018 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 fourth quarter, there is no change to the forecast of consolidated financial results.

Note: The forecasts 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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