

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary)
for the First Three Months of Fiscal 2024
(Three-Month Period Ended June 30, 2024)

Listed exchanges: Tokyo Stock Exchange (Prime Market)

Stock code number: 4548

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

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

1. Consolidated Financial Results for the First Three Months of Fiscal 2024
(from April 1, 2024 to June 30, 2024)

(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 three months of fiscal 2024	10,022	3.7	1,640	26.3	2,186	11.6
First three months of fiscal 2023	9,661	16.3	1,298	15.3	1,959	14.3

	Net income attributable to owners of parent		Net income per share	Diluted net income per share
	Millions of Yen	%	Yen	Yen
First three months of fiscal 2024	1,901	0.7	34.84	-
First three months of fiscal 2023	1,887	26.4	34.62	-

(Note) Comprehensive income:

First three months of fiscal 2024: 3,158 million yen [3.6%]

First three months of fiscal 2023: 3,048 million yen [41.0 %]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2024	83,414	74,731	89.6
As of March 31, 2024	81,795	72,282	88.4

(Reference) Shareholders' equity:

As of June 30, 2024: 74,731 million yen

As of March 31, 2024: 72,282 million yen

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2023	-	13.00	-	13.00	26.00
Fiscal 2024	-				
Fiscal 2024 (Forecast)		15.00	-	15.00	30.00

(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 June 30, 2024	56,814,093 shares	As of March 31, 2024	56,814,093 shares
(b) Number of treasury stock at the end of the period	As of June 30, 2024	2,253,745 shares	As of March 31, 2024	2,253,745 shares
(c) Average number of shares issued during the period (three months)	First three months of fiscal 2024	54,560,348 shares	First three months of fiscal 2023	54,541,064 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 Quarter of Fiscal 2024 (Three-Month Period Ended June 30, 2024)

(1) Qualitative explanation on quarterly financial results

In the first three months (April 1 to June 30, 2024) of the fiscal year ending March 31, 2025 (fiscal 2024), net sales were ¥10,022 million, up 3.7% from the first quarter of fiscal 2023. The increase is attributable to higher royalty income and higher overseas sales in the LAL business, despite lower sales of Gel-One, an intra-articular single-injection viscosupplement for the treatment of knee osteoarthritis for the U.S. market, and ARTZ for China.

Operating income rose 26.3% year on year to ¥1,640 million, due in part to lower R&D expenses. Ordinary income and net income attributable to owners of parent rose 11.6% and 0.7% year on year, respectively, to ¥2,186 million and ¥1,901 million.

1) Net sales by segment

Pharmaceutical Business

Seikagaku has adopted a business model of focusing management resources on R&D and manufacturing by forming alliances with domestic and overseas companies that have expertise in the Company's product fields and entrusting sales to these business partners, rather than having an in-house pharmaceuticals sales division. In view of this business structure, in addition to providing an overview of product sales from Seikagaku to business partners, the Company also reports on the status of sales from business partners to medical institutions using "deliveries to medical institutions" or "local sales volume" as performance indicators.

- Domestic Pharmaceuticals (¥2,791 million, down 15.7% year on year)

Revenue from domestic pharmaceuticals fell 15.7% year on year, mainly because of lower sales of ARTZ, a joint function improvement agent for knee osteoarthritis, and the OPEGAN series of ophthalmic viscoelastic devices. Deliveries to medical institutions of ARTZ increased year on year thanks to continued switching from competing products. However, the Company's sales declined due to a shipment volume adjustment accompanying facilities maintenance for the purpose of production system expansion at the Company's plant.

Deliveries to medical institutions of the OPEGAN series increased year on year, reflecting a continued gradual market growth trend accompanying population aging. Nevertheless, the Company's sales fell year on year, following a temporary increase in shipments of Seikagaku products in the prior-year first quarter due to limited shipments of competing products.

The Company's sales of HERNICORE, a treatment for lumbar disc herniation, declined year on year, while sales of MucoUp, a submucosal injection agent for endoscopic surgery, increased.

The Company's sales of the joint function improvement agent JOYCLU increased year on year. The Company issued a Dear Healthcare Professionals Letter of Rapid Safety Communication (Blue Letter) concerning JOYCLU on June 1, 2021 and is continuing cooperative efforts with sales partner Ono Pharmaceutical Co., Ltd. to gather side effects reports and other information and provide safety-related information.

- Overseas Pharmaceuticals (¥1,147 million, down 50.6% year on year)

Revenue from overseas pharmaceuticals fell 50.6% year on year due to lower sales of Gel-One, an intra-articular single-injection viscosupplement for the treatment of knee osteoarthritis for the U.S. market, and lower sales of ARTZ for China, despite higher sales of SUPARTZ FX, an intra-articular 5-injection viscosupplement for the treatment of knee osteoarthritis for the U.S. market.

Although local sales volume of Gel-One was at the prior-year level, the Company's sales declined due to shipment timing.

Although local sales volume in the U.S. of SUPARTZ FX was at the prior-year level, the Company's sales increased due to the impact of yen depreciation.

Sales volume of ARTZ for China fell sharply year on year, reflecting bringing forward of shipments into fiscal 2023.

- Bulk Products and Contract Development and Manufacturing Organization (¥732 million, down 12.4% year on year)

The Company's sales decreased 12.4% year on year due to lower sales of bulk products and of contract development and manufacturing and other services of overseas subsidiary Dalton Chemical Laboratories, Inc.

As a result of these developments and an increase in royalty income (¥2,388 million, up 241.5% year on year), sales from the Pharmaceuticals business segment fell 1.6% year on year to ¥7,059 million.

LAL Business

Sales from the LAL business segment increased 19.1% year on year to ¥2,962 million. In addition to higher sales in Japan, sales at overseas subsidiary Associates of Cape Cod, Inc. rose year on year thanks to steady progress in development of new customers for PyroSmart NextGen recombinant reagent for endotoxin detection.

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

There is no change in the full-year forecast of consolidated financial results announced on May 13, 2024.

(3) Research and Development Activities

To contribute to healthy and fulfilling lives for people around the world, the Seikagaku Group focuses its research and development on glycoscience as its area of specialization and aims to create original pharmaceuticals and medical devices.

To achieve early and continuous launching of new products, which hold the key to future business growth, the Group will engage in efficient R&D activities focused on target compounds and high-priority target diseases and make efforts to increase the number of projects through reinforcement of unique drug-discovery technologies and utilization of open innovation.

Total R&D expenses in the first three months of fiscal 2024 were ¥1,557 million, or 20.4% of net sales (excluding royalties).

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

SI-6603 (treatment for lumbar disc herniation: developed in the U.S.)

Seikagaku submitted a Biologics License Application (BLA) for SI-6603 in March 2024, which was accepted for filing by the U.S. Food and Drug Administration (FDA) in May 2024. Preparations are currently underway to obtain approval.

SI-6603, which contains condoliase as its active pharmaceutical ingredient, is a therapeutic agent directly injected into the lumbar disc. It does not require general anesthesia and is less invasive to the patient than surgical treatment. Since a single-injection treatment is expected to improve the symptoms of lumbar disc herniation, the Company aims to provide SI-6603 as a new treatment option.

There is no substantial change on the other R&D activities.

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