

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

Listed exchanges: Tokyo Stock Exchange (First Section)

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 2021
(from April 1, 2021 to June 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 three months of fiscal 2021	11,784	71.6	4,446	-	4,613	655.8
First three months of fiscal 2020	6,865	(5.6)	396	(58.9)	610	(51.2)

	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 2021	3,652	589.3	64.73	-
First three months of fiscal 2020	529	(46.0)	9.39	-

(Note) Comprehensive income:

First three months of fiscal 2021: 4,772 million yen [398.2%]

First three months of fiscal 2020: 957 million yen [21.8%]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2021	75,442	67,586	89.6
As of March 31, 2021	69,915	63,604	91.0

(Reference) Shareholders' equity:

As of June 30, 2021: 67,586 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	-				
Fiscal 2021 (Forecast)	-	15.00	-	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 prior 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

* 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, 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 June 30, 2021	384,458 shares	As of March 31, 2021	384,421 shares
(c) Average number of shares issued during the period (three months)	First three months of fiscal 2021	56,429,665 shares	First three months of fiscal 2020	56,416,326 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**

At this time it would be difficult to reasonably assess a forecast of consolidated financial results for the fiscal year ending March 31, 2022.

1. Results of Operations for the First Quarter of Fiscal 2021 (Three-Month Period Ended June 30, 2021)

(1) Qualitative explanation on quarterly financial results

In the first three months (April 1 to June 30, 2021) of the fiscal year ending March 31, 2022 (fiscal 2021), net sales were ¥11,784 million, up 71.6% year on year. The result is attributable to a rebound from the substantial impact of the spread of COVID-19 infection in Japan and abroad in the first quarter of the previous fiscal year as well as an 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 1,022.2% year on year to ¥4,446 million as a result of the sales increase, despite higher SGA expenses, mainly for R&D. Ordinary income rose 655.8% year on year to ¥4,613 million on a decrease in dividend income, and net income attributable to owners of parent rose 589.3% to ¥3,652 million, reflecting higher income taxes due to the profit increase.

1) Net sales by segment

Pharmaceutical Business

- Domestic Pharmaceuticals (¥3,847 million, up 9.8% year on year)

Deliveries to medical institutions and market share for ARTZ, a joint function improving agent for knee osteoarthritis, increased year on year due to a rebound following market contraction in the first quarter of the previous fiscal year caused by the spread of COVID-19 infection, as well as the effect of switching from competing products, thanks to the continuing effectiveness of measures to acquire new user facilities and other factors. The Company's sales decreased, reflecting the impact of NHI drug price reductions and a decrease in shipments from a high level in the first three months of fiscal 2020.

Sales Partner Ono Pharmaceutical Co., Ltd. commenced sales of the joint function improving agent JOYCLU on May 19, 2021. Although the Company called attention to the risk of 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 to alert healthcare professionals to the risk. Seikagaku will continue efforts to proactively gather side effects information on the basis of collaboration with sales partner Ono Pharmaceutical Co., Ltd. and make ongoing efforts to provide safety and effectiveness information to promote the appropriate use of JOYCLU.

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 quarter of the previous fiscal year due to the spread of COVID-19 infection as well as growth in the number of new user facilities. The Company's sales fell due to NHI drug price reductions and a decline in shipments from a high level in the first three months of fiscal 2020.

The Company's sales of MucoUp, a submucosal injection agent for endoscopic surgery, rose slightly, reflecting the impact of shipment timing.

Deliveries to medical institutions of HERNICORE, a treatment for lumbar disc herniation, increased thanks to a rebound in outpatient services following a decline in the first quarter of the previous fiscal year accompanying the spread of COVID-19 infection and steady growth in the number of new user facilities. The Company's sales fell, reflecting the impact of shipment timing.

- Overseas Pharmaceuticals (¥1,589 million, up 40.6% year on year)

Local sales volume 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 postponement of non-urgent and non-emergency medical procedures in the first quarter of the previous fiscal year in connection with the spread of COVID-19 infection as well as successful measures to promote switching from competing products. Local sales volume in the U.S. and the Company's sales both increased.

Local sales volume in the U.S. and the Company's sales of SUPARTZ FX, an intra-articular 5-injection viscosupplement for the treatment of knee osteoarthritis, increased in the absence of the powerful impact of the spread of COVID-19 infection experienced in the first quarter of the previous fiscal year, despite continuation of the trend in the U.S. market toward preference for products that require a low number of injections.

Local sales in China and the Company's sales of ARTZ increased, reflecting aggressive sales promotion activities.

- Bulk Products and Contract Development and Manufacturing Organization*¹ (¥720 million, up 144.0% year on year)

Although sales of bulk products declined, overall sales increased due to the addition of sales from contract development and manufacturing at overseas subsidiary Dalton Chemical Laboratories, Inc.

As a result of these developments and the addition of royalty income*² (¥3,550 million, up 3,818.3% year on year), sales from the pharmaceuticals business segment rose 93.3% year on year to ¥9,707 million.

*1 Starting from 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 segment.

*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 12.6% year on year to ¥2,076 million due to an increase in sales of Bacterial Endotoxin Testing (BET) reagents and Clinical Diagnostic (Fungitell) reagents. This rise was a result of increases in BET contract services and clinical diagnostic product demand as well as effects of reinforcement of sales activities at overseas subsidiary Associates of Cape Cod, Inc., coupled with steady sales in Japan. In April 2021, Associates of Cape Cod, Inc. launched a new class of BET reagent—PyroSmart NextGen™ recombinant cascade reagent (rCR), and in May, Seikagaku launched it in Japan.

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

Although the Company achieved the full-year forecast for net income attributable to owners of the parent announced on May 13, 2021 in the first quarter, in light of the receipt of one-time royalty income in the first quarter and expected concentration of R&D expenses in the second quarter and beyond, there is no change in the forecast of consolidated financial results.

The Company is currently assessing the impact on sales of JOYCLU of issuance of the Blue Letter.

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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