

Seikagaku Announces Forecast of Consolidated Financial Results and Dividend Forecast

Seikagaku Corporation (Tokyo, Japan; “Seikagaku”) hereby announces its forecast of consolidated financial results and dividend forecast for fiscal 2020 (April 1, 2020 to March 31, 2021), as detailed below. The forecast was undecided as of the May 19, 2020 disclosure of the Consolidated Financial Results (Japan GAAP) (Summary) for the Fiscal Year Ending March 31, 2020.

1. Forecast of financial results

(1) Forecast of full-year consolidated financial results for fiscal 2020
(April 1, 2020 to March 31, 2021)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share (Yen)
Previous forecast (A)	—	—	—	—	—
Revised forecast (B)	26,650	550	1,400	1,150	20.38
Change (B - A)	—	—	—	—	—
Change (%)	—	—	—	—	—
Reference: Results for fiscal 2019	28,642	1,960	3,981	(10,839)	(192.15)

(2) Reason for the disclosure

The forecast of consolidated financial results for the fiscal year ending March 31, 2021 was undecided because of the difficulty of reasonably assessing the impact of COVID-19 on the business and financial results. Seikagaku hereby announces the forecast, which has now been calculated on the basis of the first-quarter financial results and currently available information and forecasts.

Sales performance in Japan and the United States, key markets for Seikagaku’s business, returned to approximately the prior-year level in July and August after bottoming out in the first quarter. Although the spread of COVID-19 infection cannot be expected to subside in the foreseeable future, on the assumption that economic activity will not be severely restricted again, Seikagaku forecasts that the impact of COVID-19 on the consolidated financial results will stay within a certain range.

Net sales are forecast to decline compared to the prior year on lower first-quarter sales in Japan and overseas attributable to the spread of COVID-19 infection coupled with drug price reductions in Japan.

Operating income is forecast to decline due to the sales decrease and higher expenses related to measures to promote subject enrollment in an additional clinical study underway in the United States for SI-6603, a treatment for

lumbar disc herniation, despite a decrease in operating expenses in connection with a review of expenses related to sales promotion activities. Ordinary income is expected to decline due to a forecast decrease in royalty income. A return to profitability on a net income basis is expected as a result of non-recurrence of an extraordinary loss recorded in the previous fiscal year in connection with impairment of property, plant and equipment related to the pharmaceuticals business.

The forecast for R&D expenses is ¥7.4 billion (an increase of 7.6% year on year), or 27.8% of net sales.

Note: The exchange rate assumption used in the forecast of consolidated business results for fiscal 2020 is ¥105 to the U.S. dollar.

If a significant variance from the forecast is expected due to a future change in the spread of COVID-19 or another reason, Seikagaku will promptly make a revised announcement.

2. Dividend forecast

(1) Dividend forecast for fiscal 2020

	Annual dividends (Yen)		
	Interim dividend	Year-end dividend	Total
Previous forecast	—	—	—
Revised forecast	10.00	10.00	20.00
Reference: Results for fiscal 2019	13.00	13.00	26.00

(2) Reason for disclosure of dividend forecast

The dividend forecast for the fiscal year ending March 31, 2021, like the forecast of financial results, was undecided. Seikagaku hereby announces the forecast, which has now been decided as detailed above.

Seikagaku considers the return of profits to shareholders to be an important management priority and has made paying dividends linked to business performance a basic policy. In accordance with this policy, Seikagaku aimed for a dividend payout ratio of 50% for fiscal 2020 and 2021, taking into consideration business profits and other factors. However, with regard to the dividend forecast for fiscal 2020 disclosed today, Seikagaku intends to pay an annual dividend of ¥20 per share, representing a dividend payout ratio of 98.1% based on the earnings forecast, for continuing to hold Seikagaku shares notwithstanding the presence of a special factor, namely the spread of COVID-19.

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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