

July 31, 2019

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary)
for the First Three Months of Fiscal 2019
(Three-Month Period Ended June 30, 2019)

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 2019
(from April 1, 2019 to June 30, 2019)

(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 2019	7,649	5.8	964	81.7	1,251	(19.5)
First three months of fiscal 2018	7,226	(3.7)	530	(39.3)	1,554	23.7

	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 2019	980	(18.6)	17.38	-
First three months of fiscal 2018	1,204	30.4	21.29	-

(Note) Comprehensive income:

First three months of fiscal 2019: 786 million yen [50.4%]

First three months of fiscal 2018: 522 million yen [(42.9)%]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2019	79,488	73,089	91.9
As of March 31, 2019	80,238	73,036	91.0

(Reference) Shareholders' equity:

As of June 30, 2019: 73,089 million yen

As of March 31, 2019: 73,036 million yen

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	-	13.00	-	13.00	26.00
Fiscal 2019	-				
Fiscal 2019 (Forecast)		13.00	-	13.00	26.00

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

3. Forecast of Consolidated Financial Results for Fiscal 2019 (from April 1, 2019 to March 31, 2020)

(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 2019	28,250	(0.5)	400	(59.1)	2,300	(19.6)	2,000	(10.9)	35.46

(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: 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 June 30, 2019	56,814,093 shares	As of March 31, 2019	56,814,093 shares
As of June 30, 2019	410,205 shares	As of March 31, 2019	410,176 shares
First three months of fiscal 2019	56,403,902 shares	First three months of fiscal 2018	56,582,946 shares

(b) Number of treasury stock at the end of the period

(c) Average number of shares issued during the period (three months)

***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 2019 (Three-Month Period Ended June 30, 2019)

(1) Qualitative explanation on quarterly financial results

In the first three months (April 1 to June 30, 2019) of the fiscal year ending March 31, 2020 (fiscal 2019), net sales were ¥7,649 million, up 5.8% year on year. The result is attributable to growth from the pharmaceuticals business in Japan and overseas.

Operating income rose 81.7% year on year to ¥964 million as a result of the sales increase coupled with a decrease in selling, general and administrative expenses, mainly R&D expenses. Ordinary income fell 19.5% year on year to ¥1,251 million, reflecting factors including a decrease in gain on sale of investment securities, and net income attributable to owners of parent fell 18.6% year on year to ¥980 million.

1) Net sales by segment

Pharmaceutical Business

-Domestic Pharmaceuticals (¥3,689 million, up 5.4% year on year)

Although deliveries to medical institutions of ARTZ, a joint function improving agent, decreased due in part to overall market contraction, the Company's sales increased, partly as a reflection of a low level of shipments in the first quarter of the previous fiscal year due to the impact of an inventory adjustment by the sales partner.

Deliveries to medical institutions and market share of the OPEGAN series of ophthalmic viscoelastic devices grew due to strong performance from SHELLGAN, and the Company's sales increased as well.

The Company's sales of MucoUp, a submucosal injection agent for endoscopic surgery, decreased due to the impact of introduction of competing products on the market.

The Company is striving for a phased rollout of HERNICORE, a treatment for lumbar disc herniation launched in August 2018, while engaging in information provision activities directed at medical institutions to ensure appropriate use and safety together with the sales partner, and market penetration is steadily progressing. The Company had no first-quarter sales because of the annual shipment plan to the sales partner.

-Overseas Pharmaceuticals (¥1,956 million, up 8.4% year on year)

Local sales volume and the Company's sales of Gel-One, an intra-articular single-injection viscosupplement for the treatment of knee osteoarthritis, increased due to sales expansion measures by the sales partner coupled with qualification for preferential reimbursement status from multiple private insurers.

Local sales volume and the Company's sales of SUPARTZ FX, an intra-articular 5-injection for the treatment of knee osteoarthritis, declined as a result of an increasing tendency in the U.S. market toward preference for products that require a low number of injections, such as single-injection and 3-injection products.

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

-Bulk Products (¥290 million, up 14.4% year on year)

Sales of hyaluronic acid increased, while sales of chondroitin sulfate decreased.

As a result of these developments, sales from the pharmaceuticals business segment rose 6.8% year on year to ¥5,936 million.

LAL Business

Overseas subsidiary Associates of Cape Cod, Inc. is focusing on expanding both direct and distributor based sales operations for its Bacterial Endotoxin Testing (BET) and Clinical Diagnostic reagents. Due to strong performance from these products, sales of the LAL business rose 2.8% year on year to ¥1,712 million.

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

Although in the first quarter the Company achieved the full-year forecast for operating income in the forecast of consolidated financial results for fiscal 2019 announced on May 10, 2019, in light of factors such as concentration of selling, general and administrative expenses, mainly R&D expenses, in the second quarter and beyond, there is no change to the forecast of 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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