May 13, 2014

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the Fiscal 2013 (Year Ended March 31, 2014)

Listed exchanges: Tokyo Stock Exchange (First Section)
Stock code number: 4548
URL: http://www.seikagaku.co.jp/english/
Date of dividend payment (Planned): June 25, 2014

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

1. Consolidated Financial Results for the Fiscal 2013 (from April 1, 2013 to March 31, 2014)

(1) Consolidated Financial Results

(Percentages indicate changes from the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2013	29,614	11.2	4,937	57.9	5,878	36.6	4,745	45.7
Fiscal 2012	26,639	(1.6)	3,126	(32.3)	4,302	(9.8)	3,256	(0.4)

(Note) Comprehensive income:
Fiscal 2013: 5,352 million yen [13.3%]
Fiscal 2012: 4,723 million yen [42.0%]

	Net income per share	Diluted net income per share	Return on equity	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
	Yen	Yen	%	%	%
Fiscal 2013	83.55	-	7.5	8.1	16.7
Fiscal 2012	57.33	-	5.5	6.2	11.7

(Reference) Equity in earnings of subsidiaries and affiliates accounted for by the equity method:
Fiscal 2013: -
Fiscal 2012 -

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio	Total equity per share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal 2013	73,826	64,785	87.8	1,140.48
Fiscal 2012	70,471	61,316	87.0	1,079.38

(Reference) Shareholders' equity:
Fiscal 2013: 64,785 million yen
Fiscal 2012: 61,316 million yen

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal 2013	6,406	(3,162)	(1,310)	8,782
Fiscal 2012	4,345	(7,564)	(1,627)	6,410

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2012	-	12.50	-	12.50	25.00
Fiscal 2013	-	13.00	-	13.00	26.00
Fiscal 2014 (Forecast)		13.00	-	13.00	26.00

	Total dividend payments (Annual)	Dividend payout ratio (Consolidated)	Dividends as a percentage of total equity (Consolidated)
	Millions of yen	%	%
Fiscal 2012	1,420	43.6	2.4
Fiscal 2013	1,476	31.1	2.3
Fiscal 2014 (Forecast)		42.8	

3. Forecast of Consolidated Financial Results for Fiscal 2014 (from April 1, 2014 to March 31, 2015)

(Percentages indicate changes from the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First six-month of Fiscal 2014	14,150	(8.1)	1,450	(58.4)	1,750	(53.8)	1,450	(53.5)	25.53
Fiscal 2014	29,150	(1.6)	2,750	(44.3)	4,200	(28.5)	3,450	(27.3)	60.73

* Others

(1) Changes in the state of material subsidiaries during the period under review: No

(2) Changes in accounting principles, changes in accounting estimates, and retrospective restatements

(a) Changes in accounting principles accompanying revisions in accounting standards: Yes
(b) Changes other than those in (a) above: Yes
(c) Changes in accounting estimates: Yes
(d) Retrospective restatements: No

(3) Number of shares issued (common stock):

(a) Number of shares at the end of the period (including treasury stock)	As of March 31, 2014	58,584,093 shares	As of March 31, 2013	58,584,093 shares
(b) Number of treasury stock at the end of the period	As of March 31, 2014	1,778,266 shares	As of March 31, 2013	1,777,474 shares
(c) Average number of shares issued during the period	Fiscal 2013	56,806,192 shares	Fiscal 2012	56,807,017 shares

(Reference) Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2013 (from April 1, 2013 to March 31, 2014)

(1) Non-Consolidated Financial Results

(Percentages indicate changes from the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2013	26,638	9.3	4,304	58.3	5,247	34.8	4,360	8.2
Fiscal 2012	24,374	7.7	2,719	(18.5)	3,893	11.2	4,032	66.0

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2013	76.77	-
Fiscal 2012	70.98	-

(2) Non-Consolidated Financial Position

	Total assets	Total equity	Total equity ratio	Total equity per share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal 2013	72,877	64,217	88.1	1,130.48
Fiscal 2012	70,345	61,425	87.3	1,081.31

(Reference) Shareholders' equity:

Fiscal 2013: 64,217 million yen

Fiscal 2012: 61,425 million yen

*Status of Performance of Review Procedures

This summary is exempt from the review procedures based on Japan's Financial Instruments and Exchange Law. At the time when this summary was disclosed, the review procedures based on the Financial Instruments and Exchange Law had not been completed.

*Disclaimer regarding forward-looking information including appropriate use of forecasted financial results

The forecasted statement 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

(1) Analysis of Results of Operations

Results of operations for the current fiscal year

In the fiscal year ended March 31, 2014 (fiscal 2013), net sales rose 11.2% to ¥29,614 million. The sales increase is attributable to factors including the impact of yen depreciation and higher U.S. sales volumes for Gel-One, a single-injection injectable treatment for osteoarthritis pain of the knee.

With regard to earnings, operating income rose 57.9% to ¥4,937 million, reflecting the sales increase and a decrease in SG&A expenses, centering on lawsuit expenses and R&D expenses. Another factor in the profit increase was a decrease in depreciation accompanying a change in the depreciation method implemented in the period under review. Ordinary income rose 36.6% to ¥5,878 million, reflecting profit-impacting factors such as a decrease in royalty income and an increase in the gain on foreign exchange valuation of foreign currency-denominated financial assets and securities. Net income rose 45.7% to ¥4,745 million as a result of factors including the recording of an extraordinary gain on the sale of investment securities and a decrease in the income tax rate due to the continued application of preferential taxation following the designation of the Takahagi Plant as a special district for industrial revitalization. The rise was achieved despite the recording of an extraordinary loss on costs associated with integration of the Kurihama Plant and other measures, to improve efficiency.

1) Net sales by segment

Pharmaceutical Business

- Domestic Pharmaceuticals (¥17,995 million, up 1.3% compared with fiscal 2012)

Efforts to increase sales of ARTZ, an injectable treatment for osteoarthritis pain of the knee, through sales and promotion activities, resulted in increases in deliveries to medical institutions, market share and the Company's sales. However, the growth rate for ARTZ decreased year on year due to the impact of a soft market overall.

Although deliveries to medical institutions and the Company's sales of the ophthalmic surgery aid OPEGAN increased, market share declined amid continuing fierce competition.

The Company's sales of MucoUp, a surgical aid for use in endoscopic mucosal resection, rose due to successful activities to increase penetration of endoscopic surgical techniques.

- Overseas Pharmaceuticals (¥5,717 million, up 45.1% compared with fiscal 2012)

U.S. sales of SUPARTZ, the product name of ARTZ in the U.S., fell as a result of a continuing trend of preference for 3-injection products of competitors. The Company's export sales to the U.S. rose due to factors including yen depreciation and an inventory build-up by sales partner.

Sales of ARTZ in China and the Company's export sales increased, mainly among medical institutions in major cities, thanks to the product's continued excellent reputation for high quality and proven performance in many countries, as bribery allegations involving some unrelated foreign-based pharmaceutical companies have nearly run their course.

Both the U.S. sales of Gel-One and the Company's export sales of Gel-One are steadily increasing. However, the growth rate was lower than expected because development of the sales infrastructure is taking time.

In January 2014, Genzyme Corporation withdrew an appeal to the United States Court of Appeals for the Federal Circuit of the ruling in the Gel-One patent infringement lawsuit. As a result, Seikagaku's victory was confirmed.

- Bulk Products (¥1,630 million, up 15.0% compared with fiscal 2012)

Sales of bulk products increased as sales of hyaluronic acid developed favorably.

The net result of the above was that overall sales from the pharmaceutical business rose 9.6% compared with fiscal 2012 to ¥25,342 million.

LAL Business

Net sales from the LAL business rose 21.6% compared with fiscal 2012 to ¥4,271 million as a result of a continuing increase in overseas sales of endotoxin-detecting reagents and the impact of yen depreciation.

2) Research and Development Activities

The Company focuses its research and development on glycoscience as an area of specialization and aims to develop as a "Global Category Pharma" that contributes to healthy and fulfilling lives for people around the world. To achieve rapid and continuous introduction of new products, which hold the key to future business growth, the Company strikes a proper balance between in-house development and in-licensing and are working to strengthen the glycoscience research network in Japan and overseas and further develop our R&D organizational structure.

Total R&D expenses in fiscal 2013 were ¥6,588 million, or 22.2% of net sales, and the number of R&D personnel was 215, or 33.6% of the total number of employees at the end of March 2014. The state of progress of principal R&D activities is described below.

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

The Company obtained favorable results from a Phase III clinical trial in which SI-6603 demonstrated significant improvement in lower limb pain compared to the placebo at 13 weeks after administration, the primary endpoint of the trial. Since no major safety concerns were found, the Company submitted a new drug application to the Ministry of Health, Labor and Welfare of Japan in January 2014. In the U.S., the Company began case registration for a Phase III clinical trial in October 2013.

SI-6603, an enzyme named condoliase, is thought to be effective in reducing pressure on the nerve that is the cause of lumbar disc herniation pain. A single dose of SI-6603 into the lumbar disc is expected to be as effective as surgical removal.

SI-657 (an additional indication for ARTZ for the treatment of enthesopathy: developed in Japan)

The Company initiated a Phase III clinical trial in May 2013, and case registration is progressing smoothly. SI-657 is being developed jointly with Kaken Pharmaceutical Co., Ltd., the sales partner for ARTZ. Because the high viscoelasticity of hyaluronic acid, the main ingredient of ARTZ, enables long-term covering of inflamed areas and penetration of tendons and ligaments, SI-657 is expected to provide pain relief.

SI-614 (treatment of dry eye: developed in the U.S.)

The Company submitted an IND for Phase II/III clinical trial in May 2014. SI-614 is a modified hyaluronate that is produced using the Company's proprietary technology. Ocular instillation of SI-614 in patients with dry eye is expected to protect the ocular surface and promote corneal wound healing.

SI-613 (treatment of knee osteoarthritis: developed in Japan)

Based on the results of a Phase II clinical trial obtained in December 2013, the next trial is under consideration. SI-613 is a new formulation in which hyaluronic acid and a non-steroidal anti-inflammatory drug (NSAID) are chemically bound using a drug binding technology unique to the Company. Having the knee pain relief and anti-inflammatory effect of a sustained release NSAID in addition to the joint function improving effect of hyaluronic acid, SI-613 is expected to provide prompt and long-term relief of intense pain and inflammation associated with knee osteoarthritis.

SI-615 (treatment of rheumatoid arthritis /in-licensed: developed in Japan)

A Phase I clinical trial of a single-drug oral dose has been completed in Japan. The Company will consider the future development strategy while analyzing and reviewing the clinical trial data in light of the results of a late Phase II mono-therapy clinical trial conducted by the originator Can-Fite BioPharma.

3) Forecasts for Fiscal 2014

The Company forecasts a 1.6% decrease in net sales to ¥29,150 million in fiscal 2014, ending March 31, 2015 to result from NHI drug price reductions in Japan and the impact of an inventory build-up of SUPARTZ at sales partner in fiscal 2013, despite expected sales increases for Gel-One in the U.S. and ARTZ in China.

The Company forecasts a 44.3% decrease in operating income to ¥2,750 million based on an anticipated increase in depreciation accompanying the operation of new production facilities, higher R&D expenses resulting from progress in development themes, and higher sales-related expenses for Gel-One and other products. Reflecting an increase in royalty income, the Company forecasts smaller decreases of 28.5% in ordinary income to ¥4,200 million and 27.3% in net income to ¥3,450 million.

The Company forecasts R&D expenses of ¥7,300 million, an increase of 10.8% year on year, and a ratio of R&D expenses to net sales of 25.0%.

* The exchange rate assumption used in the forecast of consolidated business results for fiscal 2014 is ¥102 to the U.S. dollar.

*Disclaimer regarding forward-looking information including appropriate use of forecasted financial results

The forecasted statement 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.

2. Issues Facing the Seikagaku Group

The pharmaceutical industry is in a period of great transformation due to a worsening fiscal crunch for medical services, large-scale realignment of pharmaceutical companies across national borders and technological innovation in drug discovery research and accompanying intensification of competition in new drug development. Amid this business environment, in March 2009 the Company established the "Seikagaku Corporation Ten-Year Vision" with the aim of developing as a "Global Category Pharma."

Seikagaku Corporation Ten-Year Vision

- Launch new drugs (including medical devices) on a consistent basis and cultivate the capability to open up every three years a new market that has the potential to become a mainstay business.
- Focus research and development on glycoscience and sustain steady growth as a "Global Category Pharma" that establishes global competitiveness.

Outline of the Mid-term Management Plan (Fiscal 2012 to Fiscal 2015)

The Company started a three-year mid-term management plan in April 2009 and has undertaken "the fostering of basic corporate strength and development of core systems" as the first step toward achievement of the Vision. On the basis of the results of the plan and a review, the Company has established a mid-term management plan for a four-year period beginning in April 2012 as the second step toward achievement of the Vision. Under this plan, the Company will make proactive investments in key strategies of research, development, production and marketing to achieve the Vision, and strive to develop new buds that will grow into future results.

Management Objective and Slogan

- Develop new buds for achieving the Ten-Year Vision
- Slogan: "ACT for the Future"
  Advance: Highly advanced technologies
  Challenge: Minds open to challenges
  Transparency: A highly transparent company

Overall Strategy

(1) Research
- In addition to broadening the scope of glycoscience research, develop a structure that will accelerate the creation of new research themes.
- Strengthen mechanisms and relationships that will contribute to research results by incorporating knowledge and know-how from outside academic organizations such as universities and research institutes.

(2) Development
- Develop a structure that can cope with parallel development of multiple themes and steadily advance the stages of projects in the current pipeline, starting with SI-6603, indicated for treatment of lumbar disc herniation.
- Foster organizational strength that can achieve development on a global scale.

(3) Production
- Steadily implement the production facilities construction plan and establish an optimal production system.
- Pursue cost reduction and mitigate the risk of stock-outs through greater production efficiency by means including reduction of lead times.
- Review the inventory policy for raw materials, etc. and also strengthen the logistics system in preparation for a major earthquake or other emergency.

(4) Marketing
- Increase sales by utilizing the competitive advantage of products already on the market.
- Seek market expansion by promoting awareness activities targeting knee osteoarthritis patients.
- Increase sales in China and other overseas growth markets and step up efforts to open up emerging markets.

Progress with the Mid-term Management Plan in Fiscal 2013

Gel-One, a single-injection injectable treatment for osteoarthritis pain of the knee, is positioned as a growth driver in the mid-term management plan. Following the victory in the patent infringement lawsuit, both the U.S. sales of Gel-One and the Company's export sales of Gel-One are steadily increasing as a result of the implementation of sales promotion measures together with sales partner Zimmer, Inc. However, because development of a sales infrastructure is taking longer than expected, the Company will accelerate market exploitation for single-injection products by increasing product recognition and strengthening the expansion of sales channels. Dedicated production facilities for Gel-One went into operation in October 2013, resulting in a production infrastructure that can cope with sales expansion.

The market environment in Japan for ARTZ, an injectable treatment for osteoarthritis pain of the knee, has become more difficult than expected due to the impact of periodically implemented NHI drug price reductions and slowing of the growth rate of the market overall. In these circumstances, the Company will aim for further market share expansion by focusing on measures to recapture share from competitors, taking advantage of brand reputation. In the area of production, construction of the No. 5 Production Building at the Takahagi Plant has been completed, and the Company is proceeding with preparations to start operation in January 2015.

In new drug development, a Phase III clinical trial in Japan for SI-6603, a treatment for lumbar disc herniation, has been completed, and the Company submitted a new drug application to the Ministry of Health, Labor and Welfare of Japan in January 2014. In the U.S., the Company began case registration for a Phase III clinical trial for SI-6603 in October 2013. The Company initiated a Phase III clinical trial in May 2013 for SI-657, an additional indication for ARTZ for the treatment of enthesopathy, and case registration is proceeding smoothly. As for SI-613, a joint function improving agent, the next trial is under consideration based on the results obtained from a Phase II clinical trial in Japan in December 2013.

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