

February 4, 2014

**SEIKAGAKU CORPORATION**  
**Consolidated Financial Results (Japan GAAP) (Summary)**  
**for the First Nine Months of Fiscal 2013**  
**(Nine-Month Period Ended December 31, 2013)**

Listed exchanges: Tokyo Stock Exchange (First Section)

Stock code number: 4548

URL: <http://www.seikagaku.co.jp/english/>

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

**1. Consolidated Financial Results for the First Nine-Months of Fiscal 2013**

(from April 1, 2013 to December 31, 2013)

**(1) Consolidated Financial Results**

(Percentages indicate changes over the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
First nine months of fiscal 2013	23,122	11.9	4,975	67.6	5,723	47.4
First nine months of fiscal 2012	20,655	(1.7)	2,969	(27.9)	3,881	(6.2)

	Net income		Net income per share	Diluted net income per share
	Millions of Yen	%	Yen	Yen
First nine months of fiscal 2013	4,652	56.9	81.90	-
First nine months of fiscal 2012	2,965	8.7	52.20	-

(Note) Comprehensive income:

First nine months of fiscal 2013: 5,282 million yen [70.9%]

First nine months of fiscal 2012: 3,090 million yen [39.7%]

**(2) Consolidated Financial Position**

	Total assets	Total equity	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2013	74,250	65,149	87.7
As of March 31, 2013	70,471	61,316	87.0

(Reference) Shareholders' equity:

As of December 31, 2013: 65,149 million yen

As of March 31, 2013: 61,316 million yen

**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	-		
Fiscal 2013 (Forecast)				13.00	26.00

(Note) Revision to dividend forecast in the quarter under review: No

**3. Forecast of Consolidated Financial Results for Fiscal 2013** (from April 1, 2013 to March 31, 2014)  
(Percentages indicate changes over the previous 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
Fiscal 2013	30,200	13.4	4,800	53.5	5,500	27.8	4,450	36.6	78.34

(Note) Revision to the nearest consolidated results forecast for fiscal 2013: No

**4. Others**

**(1) Changes in the state of material subsidiaries in the quarter under review: No**

**(2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: Yes**

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

- (a) Changes in accounting principles accompanying revisions in accounting standards: No
- (b) Changes other than those in (a) above: Yes
- (c) Changes in accounting estimates: Yes
- (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 December 31, 2013	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 December 31, 2013	1,778,116 shares	As of March 31, 2013	1,777,474 shares
(c) Average number of shares issued during the period (nine months)	First Nine Months of fiscal 2013	56,806,293 shares	First Nine Months of fiscal 2012	56,807,107 shares

\*Status of Performance of Quarterly Review Procedures

This quarterly summary is exempt from the quarterly review procedures based on Japan's Financial Instruments and Exchange Law. At the time when this quarterly summary was disclosed, the quarterly 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 for the First Nine Months of Fiscal 2013**

### **(1) Qualitative information on quarterly financial results**

#### **Consolidated operating results**

Net sales rose 11.9% to ¥23,122 million in the first nine months (April 1 to December 31, 2013) of the fiscal year ending March 31, 2014 (fiscal 2013). The sales increase is attributable to higher sales volumes of Gel-One, a single-injection injectable treatment for osteoarthritis pain of the knee, and the impact of yen depreciation.

On the earnings front, operating income rose 67.6% year on year to ¥4,975 million, reflecting the sales increase and a decrease in SGA expenses centering on lawsuit expenses and lower R&D expenses. Ordinary income rose 47.4% to ¥5,723 million, reflecting profit-impacting factors such as decreases in royalty income and increases in gain on foreign exchange valuation of foreign currency-denominated financial assets and securities. Net income rose 56.9% to ¥4,652 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, despite the recording of an extraordinary loss on costs associated with integration of the Kurihama Plant, etc. to improve business efficiency.

#### **Net sales by segment**

##### **Pharmaceuticals Business**

##### **-Domestic Pharmaceuticals (¥14,110 million, up 1.9% vs. the first nine months of fiscal 2012)**

Efforts to increase sales of ARTZ, an injectable treatment for osteoarthritis pain of the knee, utilizing its brand reputation as an original drug resulted in increases in deliveries to medical institutions and market share as well as the Company's sales. However, the growth rate for ARTZ is slowing due to the impact of a soft market overall.

Although deliveries to medical institutions of the ophthalmic surgery aid OPEGAN increased, market share declined amid continuing fierce competition. The Company's sales of OPEGAN rose, partly as a result of a rebound following a low level of shipments in the same period of fiscal 2012.

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 (¥4,565 million, up 40.9% vs. the first nine months of fiscal 2012)**

U.S. sales of SUPARTZ, the product name of ARTZ in the U.S., fell only slightly, as the impact of some insurance companies restricting reimbursement for products with multiple-injection formulations has run its course. The Company's export sales to the U.S. rose due to yen depreciation.

Although ARTZ in China is recognized with the product's excellent reputation for high quality and proven performance in many countries, the growth rate for this period slowed due to bribery allegations involving some unrelated pharmaceutical companies.

Local sales and the Company's export sales of Gel-One, a single-injection injectable treatment for osteoarthritis pain of the knee, are steadily increasing. However, the growth rate was slower than our expectation because development of the sales structure takes 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 on which Seikagaku prevailed in August 2012. As a result, the victory of Seikagaku was confirmed.

**-Bulk Products (¥1,276 million, up 42.7% vs. the first nine months of fiscal 2012)**

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

As a result, overall sales of the pharmaceuticals business rose 10.9% from the first nine months of fiscal 2013 to ¥19,952 million.

**LAL Business**

Net sales from the LAL business rose 18.7% compared with the same period of fiscal 2012 to ¥3,169 million as a result of a continuing increase in overseas sales of endotoxin-detecting reagents, etc. and the impact of yen depreciation.

**(2) Qualitative information on forecast of consolidated financial results**

Although in the third quarter, the profit figures in the forecast of consolidated financial results announced on November 6, 2013 were achieved, there is no change in the forecast, as there are adjustments for the full fiscal year.

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