

February 3, 2017

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary)
for the First Nine Months of Fiscal 2016
(Nine-Month Period Ended December 31, 2016)

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 2016

(from April 1, 2016 to December 31, 2016)

(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 nine months of fiscal 2016	22,128	(5.6)	881	(67.9)	2,016	(49.7)
First nine months of fiscal 2015	23,437	6.2	2,743	20.6	4,006	5.8

	Net income attributable to owners of parent		Net income per share	Diluted net income per share
	Millions of Yen	%	Yen	Yen
First nine months of fiscal 2016	1,481	(50.9)	26.14	-
First nine months of fiscal 2015	3,017	(0.8)	53.11	-

(Note) Comprehensive income:

First nine months of fiscal 2016: 1,388 million yen [(60.9%)]

First nine months of fiscal 2015: 3,552 million yen [(16.1%)]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of December 31, 2016	79,243	69,396	87.6
As of March 31, 2016	80,218	69,815	87.0

(Reference) Shareholders' equity:

As of December 31, 2016: 69,396 million yen

As of March 31, 2016: 69,815 million yen

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	-	13.00	-	13.00	26.00
Fiscal 2016	-	13.00	-		
Fiscal 2016 (Forecast)				13.00	26.00

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

3. Forecast of Consolidated Financial Results for Fiscal 2016 (from April 1, 2016 to March 31, 2017)
(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 2016	29,650	(4.2)	1,250	(41.7)	2,650	(24.3)	2,000	(22.4)	35.30

(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 December 31, 2016	56,814,093 shares	As of March 31, 2016	58,584,093 shares
(b) Number of treasury stock at the end of the period	As of December 31, 2016	209,611 shares	As of March 31, 2016	1,779,510 shares
(c) Average number of shares issued during the period (nine months)	First nine months of fiscal 2016	56,681,990 shares	First nine months of fiscal 2015	56,804,819 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 Act. At the time when this quarterly summary is disclosed, the quarterly review procedures based on the Financial Instruments and Exchange Act has not been completed.

*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 Nine Months of Fiscal 2016

(Nine-Month Period Ended December 31, 2016)

(1) Qualitative explanation on quarterly financial results

In the first nine months (April 1 to December 31, 2016) of the fiscal year ending March 31, 2017 (fiscal 2016), net sales fell 5.6% year on year to ¥22,128 million. The result is attributable to the impact of yen appreciation and National Health Insurance (NHI) drug price reductions in Japan, despite higher sales volumes of Gel-One in the U.S. and the LAL business overseas.

With regard to earnings, operating income fell 67.9% year on year to ¥881 million, reflecting an increase in the cost of sales ratio accompanying yen appreciation and NHI drug price reductions, and higher R&D expenses resulting from progress with the open-label trial for SI-6603, indicated for treatment of lumbar disc herniation in the U.S. Ordinary income fell 49.7% year on year to ¥2,016 million and net income attributable to owners of the parent fell 50.9% year on year to ¥1,481 million, reflecting an increase in royalty income, despite a decrease in gain on sale of investment securities.

Net sales by segment

Pharmaceuticals Business

-Domestic Pharmaceuticals (¥12,305 million, down 5.5% year on year)

In a flat overall market, deliveries to medical institutions of ARTZ, a joint function improving agent, increased slightly due to sales promotion activities by the sales partner accompanying the introduction of new syringes in April 2016. The Company's sales decreased as a result of the impact of NHI drug price reductions.

Deliveries to medical institutions of the OPEGAN series, ophthalmic surgical aids, increased as market penetration of SHELLGAN, launched in July 2016, steadily progressed. The Company's sales rose, compensated for the impact of NHI drug price reductions.

The Company's sales of MucoUp, a surgical aid for endoscopic mucosal resection, increased, due in part to an inventory buildup accompanying a change in sales partner in April 2016.

-Overseas Pharmaceuticals (¥4,928 million, down 7.7% year on year)

U.S. sales of Gel-One, a single-injection joint function improving agent, were steady, reflecting focused activities of the Company to assist the sales partner. The Company's sales of Gel-One increased, compensating for the impact of yen appreciation.

U.S. sales of SUPARTZ FX, a 5-injection joint function improving agent, fell slightly as a result of continued fierce competition in the market for multiple injection products. The Company's sales of SUPARTZ FX declined, with lower U.S. shipment due in part to the impact of yen appreciation.

Sales of ARTZ in China (P.R.C.) declined because of the government's price-curbing policy and other factors. The Company's sales of ARTZ decreased due to the decline in local sales coupled with the impact of yen appreciation.

-Bulk Products (¥786 million, down 17.2% year on year)

Although sales of chondroitin sulfate increased, overall sales declined, reflecting fierce competition in the

market for hyaluronic acid.

As a result of these developments, sales from the pharmaceuticals business fell 6.7% year on year to ¥18,020 million.

LAL Business

Sales from the LAL business fell 0.5% year on year to ¥4,108 million as a result of the impact of yen appreciation, despite higher sales of endotoxin-detecting reagents and other products, mainly in overseas markets.

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

There is no change to the forecast of consolidated financial results announced on November 8, 2016.

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