July 28, 2016

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the First Three Months of Fiscal 2016 (Three-Month Period Ended June 30, 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 Three Months of Fiscal 2016
(from April 1, 2016 to June 30, 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 three months of fiscal 2016	8,275	6.6	379	(57.0)	410	(70.2)
First three months of fiscal 2015	7,762	2.4	883	(25.5)	1,377	(11.1)

	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 2016	287	(72.2)	5.06	-
First three months of fiscal 2015	1,032	(17.5)	18.18	-

(Note) Comprehensive income:
First three months of fiscal 2016: (517) million yen [(131.7%)]
First three months of fiscal 2015: 1,633 million yen [(1.5%)]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of June 30, 2016	78,191	68,559	87.7
As of March 31, 2016	80,218	69,815	87.0

(Reference) Shareholders' equity:
As of June 30, 2016: 68,559 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	-				
Fiscal 2016 (Forecast)		13.00	-	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	29,550	(4.6)	1,000	(53.4)	3,350	(4.3)	2,550	(1.1)	45.00

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

Seikagaku Corporation announced that a resolution to acquire its treasury stocks was adopted, at the meeting of the Board of Directors held on June 15, 2016. Accordingly, the influence of acquiring treasury stocks is reflected by figures of net income per share in forecast.

* 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, 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 June 30, 2016	9,510 shares	As of March 31, 2016	1,779,510 shares
(c) Average number of shares issued during the period (three months)	First three months of fiscal 2016	56,804,583 shares	First three months of fiscal 2015	56,805,040 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 was disclosed, the quarterly review procedures based on the Financial Instruments and Exchange Act had 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 Quarter of Fiscal 2016 (Three-Month Period Ended June 30, 2016)

(1) Qualitative explanation on quarterly financial results

In the first three months (April 1 to June 30, 2016) of the fiscal year ending March 31, 2017 (fiscal 2016), net sales rose 6.6% year on year to ¥8,275 million. The result is attributable to an increase in overseas pharmaceuticals sales volume and bringing forward of pharmaceuticals shipments in Japan, which compensated for the impact of yen appreciation and National Health Insurance (NHI) drug price reductions in Japan.

With regard to earnings, operating income fell 57.0% year on year to ¥379 million, reflecting yen appreciation, an increase in the cost of sales ratio accompanying NHI drug price reductions, and substantially higher R&D expenses resulting from progress with the open-label trial for SI-6603, indicated for treatment of lumbar disc herniation in U.S. Ordinary income fell 70.2% year on year to ¥410 million and net income attributable to owners of the parent fell 72.2% year on year to ¥287 million, reflecting a decrease in gain on sale of investment securities and a loss on valuation of foreign currency-denominated assets accompanying the yen's appreciation.

Net sales by segment

Pharmaceuticals Business

- Domestic Pharmaceuticals (¥4,659 million, up 6.2% year on year)

At a time of slight increase in the market, deliveries to medical institutions of ARTZ, a joint function improving agent, increased due to the introduction of new syringes and sales expansion efforts by the sales partner. The Company's sales increased as a result of bringing forward of shipments to the sales partner, despite the impact of NHI drug price reductions.

Deliveries to medical institutions of OPEGAN, ophthalmic surgical aids, increased only slightly in a difficult market environment, and the Company's sales fell due to the impact of NHI drug price reductions. In July 2016, the Company launched the ophthalmic surgical aid, SHELLGAN, to strengthen the OPEGAN series product line. The Company will endeavor to increase sales of OPEGAN and SHELLGAN together with sales partner Santen Pharmaceutical Co., Ltd.

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 (¥1,834 million, up 14.1% year on year)

U.S. sales of Gel-One, a single-injection joint function improving agent, continued to increase thanks to the effects of sales structure enhancement by the sales partner. In spite of the impact of yen appreciation, the Company's sales increased, reflecting an increase in shipments in contrast to a low level in the first three months of the previous year. It is expected to aim for further sales expansion by continuing to focus on support activities to assist the sales partner.

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 to the U.S. declined slightly due to the impact of yen appreciation, despite a volume increase because of shipments brought forward.

Sales of ARTZ in China (P.R.C.) fell due to factors including the government's price-curbing policy. The Company's sales decreased, reflecting the local sales decrease and yen appreciation.

- Bulk Products (¥275 million, down 14.3% year on year)

Although sales of chondroitin sulfate were at the prior-year level, overall sales decreased, reflecting fierce competition in the market for hyaluronic acid.

As a result of these developments, sales from the pharmaceuticals business rose 7.2% year on year, to ¥6,770 million.

LAL Business

Sales from the LAL business rose 4.1% year on year to ¥1,505 million, mainly as a result of higher overseas sales of endotoxin-detecting reagents and other products.

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