May 12, 2016

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the Fiscal 2015 (Year Ended March 31, 2016)

Listed exchanges: Tokyo Stock Exchange (First Section)
Stock code number: 4548
URL: http://www.seikagaku.co.jp/english/
Date of ordinary general meeting of shareholders (Planned): June 21, 2016
Date of dividend payment (Planned): June 22, 2016

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

1. Consolidated Financial Results for the Fiscal 2015 (from April 1, 2015 to March 31, 2016)

(1) Consolidated Financial Results

(Percentages indicate changes from the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal 2015	30,962	4.9	2,144	(10.0)	3,500	(12.7)	2,578	(29.4)
Fiscal 2014	29,522	(0.3)	2,383	(51.7)	4,008	(31.8)	3,650	(23.1)

(Note) Comprehensive income:
Fiscal 2015: 883 million yen [(87.6%)]
Fiscal 2014: 7,138 million yen [33.4%]

	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 2015	45.39	-	3.7	4.3	6.9
Fiscal 2014	64.27	-	5.4	5.2	8.1

(Reference) Equity method earnings of affiliates:
Fiscal 2015: -
Fiscal 2014: -

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio	Total equity per share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal 2015	80,218	69,815	87.0	1,229.05
Fiscal 2014	80,889	70,410	87.0	1,239.51

(Reference) Shareholders' Equity:
Fiscal 2015: 69,815 million yen
Fiscal 2014: 70,410 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 fiscal year
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal 2015	5,595	(3,416)	(1,947)	9,494
Fiscal 2014	4,132	(3,304)	(519)	9,346

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Fiscal Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2014	-	13.00	-	13.00	26.00
Fiscal 2015	-	13.00	-	13.00	26.00
Fiscal 2016 (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 2014	1,476	40.5	2.2
Fiscal 2015	1,476	57.3	2.1
Fiscal 2016 (Forecast)		57.9	

3. Forecast of Consolidated Financial Results for Fiscal 2016 (from April 1, 2016 to March 31, 2017)

(Percentages indicate changes from the prior 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)	2,250	(1.1)	44.89

* Notes

(1) Changes in the status of material subsidiaries during the period: 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: No
(c) Changes in accounting estimates: No
(d) Retrospective restatements: No

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

(a) Number of shares at the end of the period (including treasury stock)
(b) Number of treasury stock at the end of the period
(c) Average number of shares issued during the period

As of March 31, 2016	58,584,093 shares	As of March 31, 2015	58,584,093 shares
As of March 31, 2016	1,779,510 shares	As of March 31, 2015	1,778,994 shares
Fiscal 2015	56,804,766 shares	Fiscal 2014	56,805,468 shares

(Reference) Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2015 (from April 1, 2015 to March 31, 2016)

(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 2015	26,824	3.2	1,195	(20.8)	2,553	(18.8)	2,000	(34.6)
Fiscal 2014	25,992	(2.4)	1,509	(64.9)	3,145	(40.1)	3,058	(29.9)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2015	35.22	-
Fiscal 2014	53.84	-

(2) Non-Consolidated Financial Position

	Total assets	Total Equity	Equity ratio	Total Equity per share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal 2015	77,447	68,103	87.9	1,198.90
Fiscal 2014	78,394	68,378	87.2	1,203.73

(Reference) Shareholders' Equity:

Fiscal 2015: 68,103 million yen

Fiscal 2014: 68,378 million yen

*Status of Performance of Review Procedures

This summary is exempt from the review procedures based on Financial Instruments and Exchange Act. At the time when this summary is disclosed, the review procedures of financial statements based on Financial Instruments and Exchange Act have 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

(1) Analysis of Results of Operations

Results of operations for the current fiscal year

In the fiscal year ended March 31, 2016 (fiscal 2015), net sales were ¥30,962 million, 4.9% up year on year. The result is attributable to the impact of yen depreciation and an increase in overseas pharmaceuticals sales volume.

With regard to earnings, operating income fell 10.0%, year on year, to ¥2,144 million, reflecting an increase in depreciation of the No. 5 Production Building at the Takahagi Plant, and R&D expenses accompanying progress on development themes such as SI-6603, treatment for lumbar disc herniation in the U.S. Ordinary income fell 12.7% year on year, to ¥3,500 million, as a result of factors including a loss on valuation of foreign currency-denominated assets accompanying the yen's appreciation toward the end of fiscal year, despite an increase in royalty income. Net income attributable to owners of the parent fell 29.4% year on year, to ¥2,578 million, reflecting a tax rate increase accompanying the expiration of certain tax rate reducing factors applied in fiscal 2014.

1) Net sales by segment

Pharmaceutical Business

- Domestic Pharmaceuticals (¥16,928 million, up 0.2% year on year)

Despite the impact for promotion of generics, both deliveries to medical institutions and the Company's sales of ARTZ, a joint function improving agent, increased slightly, partly as a result of sales expanding efforts by the sales partner.

Deliveries to medical institutions and the Company's sales of OPEGAN, an ophthalmic surgical aids, fell slightly amid continued fierce competition. The Company obtained marketing approval for SHELLGAN, an ophthalmic surgical aids, in February 2016 and is proceeding with launch preparations together with the sales partner.

Both deliveries to medical institutions and the Company's sales of MucoUp, a surgical aids for endoscopic mucosal resection, increased, partly because of an increase in shipments accompanying a change in sales partner in April 2016.

- Overseas Pharmaceuticals (¥7,300 million, up 15.1% year on year)

Both U.S. sales and the Company's sales of Gel-One, a single-injection joint function improving agent, continued to increase, reflecting the growing positive effects of an acquisition made by the sales partner, Zimmer Biomet, in June 2015 that enhanced the local sales structure. The Company will continue to support the sales activities of the sales partner and implement measures to further increase product awareness.

U.S. sales of SUPARTZ FX, a 5-injection joint function improving agent, maintained the prior-year level as a result of sales promotion activities by the sales partner amid a continued fierce competition. The Company's sales to the U.S. rose slightly as a result of yen depreciation.

Sales of ARTZ in China (P.R.C.) decreased, reflecting price curb policy by the government. The Company's sales increased as a result of an inventory build-up following logistics policy revisions by the sales partner coupled with the impact of yen depreciation.

- Bulk Products (¥1,289 million, down 8.4% year on year)

Sales decreased as a result of intensification of competition in the market for hyaluronic acid.

As a result of these developments, sales from the pharmaceuticals business rose 3.5% year on year, to ¥25,518 million.

LAL Business

Sales from the LAL business rose 11.7%, year on year, to ¥5,444 million as a result of higher overseas sales of endotoxin-detecting reagents and other products, partly attributable to the impact of yen depreciation.

2) Research and Development Activities

The Company focuses its research and development on glycoscience of our specialization area and aims to develop as a "Global Category Pharma" that contributes to healthy and fulfilling lives for people around the world. To achieve early and continuous launching of new products, which hold the key to future business growth, the Company is strengthening research and development capabilities and working to expand and enhance the

glycoscience research network in Japan and overseas.

Total R&D expenses in fiscal 2015 were ¥8,649 million, or 27.9% of net sales, and the number of R&D personnel was 221, or 33.3% of the total number of employees, at the end of March 2016.

The status of progress of principal R&D activities is described below.

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

The Company submitted a new drug application (NDA) to the Ministry of Health, Labor and Welfare of Japan in January 2014. The NDA examination is ongoing, and the Company aims to obtain marketing approval during the fiscal 2016.

The Company completed enrollment for a Phase III clinical trial in the U.S. in July 2015, and the trial has reached the follow-up observation stage. The Company has been conducting an open-label trial in Europe and the U.S. since April 2015, mainly in preparation for the safety evaluation required at the time of an NDA in the U.S., and enrollment is proceeding smoothly. 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 injection of SI-6603 into the lumbar disc is expected to be as effective as surgical removal.

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

Phase II/III clinical trials were completed in January 2015, and the Company is currently considering a next-phase clinical trial based on the data obtained. SI-614 is a modified hyaluronate that is produced using the 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)

A Phase II repeat-dose study was completed in January 2016, and the Company is currently analyzing the data obtained. SI-613 is a 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-657 (an additional indication for ARTZ for the treatment of enthesopathy: developed in Japan)

Because the expected efficacy was not exhibited in a Phase III clinical trial in Japan, the Company discontinued development for the additional indication of enthesopathy in February 2016.

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

The Company terminated the license agreement for SI-615 in August 2015 as result of a comprehensive re-assessment of its product strategy for rheumatoid arthritis.

3) Forecasts for Fiscal 2016

The Company forecasts a 4.6% decrease in net sales year on year, to ¥29,550 million in fiscal 2016, ending March 31, 2017, as a result of NHI drug price reductions in Japan and the impact of yen appreciation, despite an expected sales increase for Gel-One.

The Company forecasts a 53.4% decrease in operating income year on year, to ¥1,000 million, due to the above sales decrease and higher expenses relating to the U.S. operations, despite the effects of decrease of depreciation and R&D expenses. The Company expects a sharp increase in royalty income, in non-operating income, and forecasts a 4.3% decrease in ordinary income year on year, to ¥3,350 million, and a 1.1% decrease in net income attributable to owners of the parent to ¥2,550 million.

The Company forecasts R&D expenses of ¥8,400 million, a decrease of 2.9% year on year, and a ratio of R&D expenses to net sales of 28.4%.

*Although the Company aims to obtain marketing approval for SI-6603 in Japan, treatment of lumbar disc herniation, during fiscal 2016, SI-6603 has not been included in the sales forecast.

* The exchange rate assumption used in the forecast of consolidated business results for fiscal 2016 is ¥110 to the U.S. dollar.

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

The forecasted statement shown in these materials is 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 growing pricing pressures on medical services, large-scale realignment of pharmaceutical companies across national borders, and technological innovation in drug discovery research accompanied by more intense competition in new drug development.

Responding to this business environment, in March 2009 Seikagaku 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 a new market every three years 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.

Review of the previous mid-term management plan (Fiscal 2012 to Fiscal 2015)

Starting with a three-year Mid-term Management Plan in April 2009, Seikagaku undertook "Growing basic physical strength and building structure" as a first step toward achieving the Ten-year vision and formulated a four-year Mid-term Management Plan in April 2012 as a second step based on self-searching and results of first step. Setting goal of "Cultivating new leads to achieve the Ten-year vision" under this second Mid-term Management Plan, Seikagaku made proactive investments in key strategic projects such as R&D, production and sales, and are aiming to realize new leads.

During the period of the previous mid-term management plan, the market for joint function improving agents in Japan was becoming increasingly severe due to accelerating measures to control medical costs. Although the market share of ARTZ in Japan increased, ARTZ sales decreased. On the other hand, overseas pharmaceuticals sales exceeded the target, partly because yen depreciation moved more than expected. In particular, sales of single-injection joint function improving agent Gel-One, a strategically important product in the U.S., steadily increased following a sluggish start attributable to the time required to develop the local sales structure. The LAL business is growing one of mainstay of business for the Company thanks to sales expansion at the U.S. subsidiary.

In the area of production, the start of operation of the No. 5 Production Building of the Takahagi Plant brought to a conclusion a round of major capital investments made during the period of the management plan that resulted in a production structure that ensures a stable supply of products over the medium to long term.

Seikagaku is developing a drug development structure that can cope with parallel development of multiple themes and has advanced projects in the pipeline to late-stage development. SI-6603, treatment for lumbar disc herniation, yielded positive results in Phase III clinical trials in Japan, and an application for new drug (NDA) was submitted in January 2014 in Japan. A Phase III trial for SI-6603 underway in the U.S. is also progressing steadily. However, the NDA examination in Japan is ongoing, and will take additional time to obtain approval.

Accordingly, while Seikagaku attained results that support the objective of "Cultivation of new leads for achieving the Ten-Year Vision," some issues remain to be addressed.

Outline of the new mid-term management plan (Fiscal 2016 to Fiscal 2018)

In light of the accomplishments and the issues that remain under the previous management plan, Seikagaku has formulated a new mid-term management plan covering the three-year period beginning in April 2016 as the final step toward achieving the Ten-Year Vision. Under the new plan, Seikagaku will undertake further sales expansion in the U.S., a key market, and aim to launch in Japan and to obtain approval in the U.S. for SI-6603, treatment for lumbar disc herniation, and to enter new markets for existing products. To support these actions, Seikagaku will also strengthen production and quality control systems compliant with global standards.

Furthermore, Seikagaku will establish core technologies to enhance the drug discovery and drug cultivation pipeline that will lead to next-generation leap and will build a powerful research and development organization in preparation for further growth.

Key Concepts

- "ACT for the Vision" Achieving the Ten-Year Vision and Making a Further Leap Forward.
  Active spirit, Creative mind, Takeoff
- Overcome severe environment in the business, achieve the Ten-Year Vision, and survive as a "Global Category Pharma."

High-Priority Strategies

(1) Steady progress with SI-6603, a treatment for lumbar disc herniation
  1) Proceed with a launch in Japan and realize sales expansion in accordance with appropriate use.
  2) Aim for commercialization in the U.S., which is potential big market.

(2) Powering up as a leader in the knee osteoarthritis market
  1) Promote sales expansion in the U.S. and new market development for growth driver Gel-One.
  2) Maintain sales volumes of ARTZ in Japan through product improvements.
  3) Proceed with development of SI-613, a joint function improving agent positioned as a next generation product.

(3) Enhancement of the development pipeline
  1) Maintain basic technologies superior to those of competitors in the field of glycoscience, accelerate exploratory research, and continuously originate and create development themes.
  2) Steadily advance the stages of projects in the pipeline by enhancing clinical development capabilities.

(4) Pursuit of an optimal production system
  1) Ensure a stable supply of products and realize cost reductions by implementing further production efficiency improvements.
  2) Strengthen production and quality control systems compliant with global standards and capable of rapidly responding to regulatory trends.

Numerical Targets

	Fiscal 2016 Forecast	Fiscal 2018 Target
Net sales	¥29.5 billion	¥32.0 billion
Operating income	¥1.0 billion	¥2.5 billion
Ordinary income	¥3.3 billion	¥4.5 billion

*Key Assumptions of Numerical Targets

1) Overseas business expansion to compensate for a decrease in revenue due to NHI drug price reductions in Japan (overseas sales ratio: 45%)
2) A high level of R&D expenses (ratio of R&D expenses to net sales: 25% to 30%)
3) Various royalty incomes as non-operating income
4) Exchange rate: ¥110 to the U.S. dollar

Change of Dividend Policy

Seikagaku regards improving shareholder value as an important management priority and aims to enhance shareholder returns and to realize sustained growth through well-balanced business investment in R&D, production system maintenance, and other areas.

Seikagaku's policy on shareholder returns is to aim for stable and continuous dividends from a medium- to long-term perspective and to continue paying an annual dividend of ¥26 per share. Seikagaku will also consider purchases of treasury stock, as appropriate, taking into account future business development and the total return ratio.

Note: The plans and forecasts in this release have been prepared on the basis of current assumptions about future economic conditions, market trends, and other factors. Actual results may differ from the plans and forecasts due to various factors.

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