May 12, 2015

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the Fiscal 2014 (Year Ended March 31, 2015)

Listed exchanges: Tokyo Stock Exchange (First Section)
Stock code number: 4548
URL: http://www.seikagaku.co.jp/english/
Date of dividend payment (Planned): June 22, 2015

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

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

(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 2014	29,522	(0.3)	2,383	(51.7)	4,008	(31.8)	3,650	(23.1)
Fiscal 2013	29,614	11.2	4,937	57.9	5,878	36.6	4,745	45.7

(Note) Comprehensive income:
Fiscal 2014: 7,138 million yen [33.4%]
Fiscal 2013: 5,352 million yen [13.3%]

	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 2014	64.27	-	5.4	5.2	8.1
Fiscal 2013	83.55	-	7.5	8.1	16.7

(Reference) Equity method earnings of affiliates:
Fiscal 2014: -
Fiscal 2013: -

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio	Total equity per share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal 2014	80,889	70,410	87.0	1,239.51
Fiscal 2013	73,826	64,785	87.8	1,140.48

(Reference) Shareholders' Equity:
Fiscal 2014: 70,410 million yen
Fiscal 2013: 64,785 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 2014	4,132	(3,304)	(519)	9,346
Fiscal 2013	6,406	(3,162)	(1,310)	8,782

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Fiscal Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2013	-	13.00	-	13.00	26.00
Fiscal 2014	-	13.00	-	13.00	26.00
Fiscal 2015 (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 2013	1,476	31.1	2.3
Fiscal 2014	1,476	40.5	2.2
Fiscal 2015 (Forecast)		50.9	

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

(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 2015	15,750	10.5	1,750	11.8	2,250	6.6	1,700	0.7	29.93
Fiscal 2015	30,650	3.8	2,400	0.7	3,800	(5.2)	2,900	(20.6)	51.05

* Others

(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)	As of March 31, 2015	58,584,093 shares	As of March 31, 2014	58,584,093 shares
(b) Number of treasury stock at the end of the period	As of March 31, 2015	1,778,994 shares	As of March 31, 2014	1,778,266 shares
(c) Average number of shares issued during the period	Fiscal 2014	56,805,468 shares	Fiscal 2013	56,806,192 shares

(Reference) Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2014 (from April 1, 2014 to March 31, 2015)

(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 2014	25,992	(2.4)	1,509	(64.9)	3,145	(40.1)	3,058	(29.9)
Fiscal 2013	26,638	9.3	4,304	58.3	5,247	34.8	4,360	8.2

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2014	53.84	-
Fiscal 2013	76.77	-

(2) Non-Consolidated Financial Position

	Total assets	Total Equity	Equity ratio	Total Equity per share
	Millions of Yen	Millions of Yen	%	Yen
Fiscal 2014	78,394	68,378	87.2	1,203.73
Fiscal 2013	72,877	64,217	88.1	1,130.48

(Reference) Shareholders' Equity:

Fiscal 2014: 68,378 million yen

Fiscal 2013: 64,217 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 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, 2015 (fiscal 2014), net sales were ¥29,522 million, roughly the same level as the previous fiscal year. The result is attributable to the impact of yen depreciation and higher shipments to the U.S. of Gel-One, despite National Health Insurance (NHI) drug price reductions in Japan and a decline in shipments to the U.S. of SUPARTZ from high level shipments in fiscal 2013.

With regard to earnings, operating income fell 51.7%, year on year, to ¥2,383 million, reflecting a decrease in gross profit attributable to higher depreciation expense accompanying the start of operation of new production facilities and a substantial increase in R&D expenses resulting from progress on development themes. Ordinary income fell 31.8% to ¥4,008 million. The smaller rate of decrease for ordinary income resulted from factors including the recording of non-operating income on the sale of investment securities and a gain on valuation of foreign currency-denominated assets. Net income fell 23.1% to ¥3,650 million, reflecting the impact of a decrease in the income tax rate due to preferential taxation in connection with the designation of the Takahagi Plant as a special district for industrial revitalization and a capital reduction with compensation at a U.S. subsidiary.

1) Net sales by segment

Pharmaceutical Business

- Domestic Pharmaceuticals (¥16,898 million, down 6.1% year on year)

Both deliveries to medical institutions of ARTZ, a joint function improving agent, and shipments of Company increased due to sales promotion activities by the sales partner, even though the market is contracting in terms of volume. The Company's sales fell because of the impact of NHI drug price reductions.

Deliveries to medical institutions of OPEGAN, an ophthalmic surgery aid, increased in a fiercely competitive market. However, the Company's sales decreased due to the impact of NHI drug price reductions.

Deliveries to medical institutions of MucoUp, a surgical aid for endoscopic mucosal resection, remained at roughly the fiscal 2013 level. However, the Company's sales decreased because of inventory adjustments at the sales partner.

- Overseas Pharmaceuticals (¥6,339 million, up 10.9% year on year)

U.S. sales of ,5-injection,SUPARTZ, joint function improving agent, fell only slightly as a result of sales promotion activities by the sales partner, despite a continuing sales increase for 3-injection products of competitors among the market of multi-injection products. The Company's sales to the U.S. fell, reflecting a high level of shipments in fiscal 2013.

Sales of ARTZ in China (P.R.C.) increased, as did the Company's sales, reflecting appreciation of the product's high quality among large hospitals in major cities under the continuous pharmaceutical market growth in China.

U.S. sales of Gel-One, a single-injection injectable, joint function improving agent, sold in the U.S., increased. The Company's sales also increased as a result of the growth in U.S. sales and the impact of yen depreciation. To further accelerate business expansion in the U.S., following the October 2014 opening of the SEIKAGAKU U.S.A. Representative Office, in May 2015 the Company established North American Business Unit as a new headquarters organization.

- Bulk Products (¥1,407 million, down 13.6% year on year)

Sales of hyaluronic acid fell due to an increasingly fierce market environment.

As a result of these developments, sales from the pharmaceuticals business fell 2.7% year on year to ¥24,646 million.

LAL Business

Sales of the LAL business rose 14.2%, year on year, to ¥4,876 million as a result of increases in sales of endotoxin-detecting reagents in Japan and overseas 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 launching of new products, which hold the key to future business growth, the Company is strengthening resource and development capabilities and working to expand and enhance the glycoscience research network in Japan and overseas.

Total R&D expenses in fiscal 2014 were ¥8,146 million, or 27.6% of net sales, and the number of R&D personnel was 216, or 33.3% of the total number of employees at the end of March 2015.
The status of progress of principal R&D activities is described below.

SI-6603 (treatment of 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, and the NDA examination is ongoing. The Company is conducting a Phase III clinical trial in the U.S. and initiated an open-label trial in Europe in April 2015, mainly for the purpose of the safety evaluation required at the time of an NDA. 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)

Follow-up observation in a Phase III clinical trial was completed in January 2015, and the Company is currently performing data analysis. 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. /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 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)

The Company began enrollment for a Phase II repeat-dose study in December 2014. 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-615 (treatment of rheumatoid arthritis /in-licensed: developed in Japan)

A Phase I clinical trial of a single-drug oral dose has been completed. The Company is considering 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 2015

The Company forecasts a 3.8% increase in net sales to ¥30,650 million in fiscal 2015, ending March 31, 2016, to result from the impact of yen depreciation and higher sales of products including Gel-One in the U.S. and ARTZ in China.

The Company forecasts a 0.7% increase in operating income to ¥2,400 million based on an anticipated decrease in R&D expenses, increase in depreciation accompanying the operation of new production facilities, and increase in sales-related expenses for Gel-One and other products. Despite an anticipated increase in royalty income, the Company forecasts a 5.2% decrease in ordinary income to ¥3,800 million due to factors including a decrease in the gain on foreign exchange valuation and forecasts a 20.6% decrease in net income to ¥2,900 million due to a higher tax rate (expiration of a temporary reduction).

The Company forecasts R&D expenses of ¥7,850 million, a decrease of 3.6% year on year, and a ratio of R&D expenses to net sales of 25.6%.

* The exchange rate assumption used in the forecast of consolidated business results for fiscal 2015 is ¥118 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 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 2014

As a result of reinforcement of activities to increase product awareness and expand sales channels conducted jointly with sales partner Zimmer, Inc., the Company is steadily increasing sales volume of ,single-injection, Gel-One, ,joint function improving agent, sold in the U.S. that is positioned as a growth driver in the mid-term management plan. The Company opened the SEIKAGAKU U.S.A. Representative Office in October 2014 and is working to enhance the market presence of SEIKAGAKU products including, multi-injection, SUPARTZ, ,joint function improving agent, by supporting the activities of sales partners and improving for gathering information about the U.S. market. In May 2015 the Company established North American Business Unit as a new headquarter organization, putting in place a structure for accelerating business development in the U.S., a key region in the growth strategy.

The market environment for ARTZ, a joint function improving agent sold in Japan, is becoming increasingly difficult due to factors including the impact of periodically implemented NHI drug price reductions and contraction of the market in terms of volume. In these circumstances, the Company is increasing sales volume by focusing on measures that leverage brand power to capture share from competitors. In production, the No. 5 Production Building at the Takahagi Plant, constructed to ensure a stable supply of products over the medium to long term and increase production efficiency, started operation as scheduled in January 2015.

New drug development efforts are steadily proceeding. To obtain new drug approval for SI-6603, indicated for the treatment of lumbar disc herniation, the Company submitted a new drug application (NDA) to the Ministry of Health, Labour and Welfare of Japan in January 2014. The Company is conducting a Phase III clinical trial in the U.S. and initiated an open-label trial in Europe in April 2015, mainly for the purpose of the safety evaluation required at the time of an NDA.

The Company is currently performing data analysis following the completion in January 2015 of follow-up observation in a Phase III clinical trial for SI-657, an additional indication for ARTZ for the treatment of enthesopathy developed to increase the added value of ARTZ. Phase II/III clinical trials for SI-614, were completed in January 2015, and the Company is currently considering a next phase clinical trial. Phase II repeat-dose study for SI-613, a joint function improving agent, providing prompt and long-term relief of intense pain and inflammation associated with knee osteoarthritis was initiated in December 2014.

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