May 10, 2013

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the Fiscal 2012 (Year Ended March 31, 2013)

Stock code number: 4548
URL: http://www.seikagaku.co.jp/english/
Listed exchanges: Tokyo

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

1. Consolidated Financial Results for the Fiscal 2012 (from April 1, 2012 to March 31, 2013)

(1) Consolidated Financial Results

(Percentages indicate changes from in 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 2012	26,639	(1.6)	3,126	(32.3)	4,302	(9.8)	3,256	(0.4)
Fiscal 2011	27,082	(0.1)	4,617	30.7	4,770	14.7	3,270	33.4

Note: Comprehensive income:
Fiscal 2012: ¥4,723 million (42.0%)
Fiscal 2011: ¥3,327 million (58.3%)

	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 2012	57.33	-	5.5	6.2	11.7
Fiscal 2011	57.58	-	5.7	7.3	17.0

Reference: Equity in earnings of subsidiaries and affiliates accounted for by the equity method:
Fiscal 2012: -
Fiscal 2011: -

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio	Total equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2012	70,471	61,316	87.0%	1,079.38
Fiscal 2011	68,730	58,013	84.4%	1,021.24

Reference: Shareholders' equity:
Fiscal 2012: ¥61,316 million
Fiscal 2011: ¥58,013 million

(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 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2012	4,345	(7,564)	(1,627)	6,410
Fiscal 2011	5,542	(488)	(1,647)	11,043

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2011	-	12.50	-	12.50	25.00
Fiscal 2012	-	12.50		12.50	25.00
Fiscal 2013 (Forecast)		12.50	-	12.50	25.00

	Total dividend payments (Annual)	Dividend payout ratio (Consolidated)	Dividends as a percentage of total equity (Consolidated)
	Millions of yen	%	%
Fiscal 2011	1,420	43.4	2.5
Fiscal 2012	1,420	43.6	2.4
Fiscal 2013 (Forecast)		35.1	

3. Forecast of Consolidated Financial Results for Fiscal 2013 (from April 1, 2013 to March 31, 2014)

(Percentages indicate changes from in 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 2013	15,200	14.8	2,700	103.8	2,950	65.6	2,450	93.5	43.13
Fiscal 2013	29,900	12.2	4,550	45.5	5,000	16.2	4,050	24.4	71.29

* Others

(1) Changes in the state of material subsidiaries during the period under review: 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: Yes
(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, 2013	58,584,093 shares	As of March 31, 2012	58,584,093 shares
(b) Number of treasury stock at the end of the period	As of March 31, 2013	1,777,474 shares	As of March 31, 2012	1,776,833 shares
(c) Average number of shares issued during the period	Fiscal 2012	56,807,017shares	Fiscal 2011	56,807,402 shares

(Reference) Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2012 (from April 1, 2012 to March 31, 2013)

(1) Non-Consolidated Financial Results

(Percentages indicate changes from in 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 2012	24,374	7.7	2,719	(18.5)	3,893	11.2	4,032	66.0
Fiscal 2011	22,628	1.4	3,335	40.7	3,501	(3.0)	2,429	27.9

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2012	70.98	-
Fiscal 2011	42.77	-

(2) Non-Consolidated Financial Position

	Total assets	Total equity	Total equity ratio	Total equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2012	70,345	61,425	87.3	1,081.31
Fiscal 2011	69,524	57,682	83.0	1,015.41

Reference: Shareholders' equity

Fiscal 2012: ¥61,425 million

Fiscal 2011: ¥57,682 million

*Status of Performance of Review Procedures

This summary is exempt from the review procedures based on Japan's Financial Instruments and Exchange Law. At the time when this summary was disclosed, the 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

(1) Analysis of Results of Operations

Results of operations for the current fiscal year

In the fiscal year ended March 31, 2013 (fiscal 2012), net sales fell 1.6% to ¥26,639 million.
The sales decrease is attributable to factors including NHI (National Health Insurance) drug price reductions and discontinuation of the research reagent business, despite higher sales volumes for ARTZ in Japan and overseas pharmaceuticals.

With regard to earnings, operating income fell 32.3% to ¥3,126 million as a result of an increase of ¥928 million in SG&A expenses, mainly higher R&D expenses related to progress in development themes and depreciation of new facilities. Ordinary income fell 9.8% to ¥4,302 million as an increase in royalty income and the impact of yen depreciation on foreign exchange evaluation of assets denominated in foreign currencies mitigated the magnitude of profit decline. Net income was ¥3,256 million, roughly the prior-year level, as a result of factors including the non-recurrence of extraordinary losses in connection with the earthquake disaster recorded in fiscal 2011 and a decrease in income tax due to the application of preferential taxation following the designation of the Takahagi Plant as a special district for industrial revitalization.

1) Net sales by segment

Pharmaceutical Business

- Domestic Pharmaceuticals (¥17,767 million, down 1.3% compared with fiscal 2011)
The market expanded in Japan for ARTZ, an injectable treatment for osteoarthritis pain of the knee, supported by an increase in the aged population and our disease awareness campaigns with regard to knee osteoarthritis. Both deliveries of ARTZ to medical institutions and market share increased, as the impact of the earlier introduction of plastic syringe packaging continued. The Company's sales increased as well, overcoming the impact of NHI drug price reductions.

Although deliveries to medical institutions of the ophthalmic surgery aid OPEGAN increased, partly as a result of a rebound following a decrease in the number of cataract operations in fiscal 2011 due to the earthquake disaster and power outages, market share declined amid fierce competition. The Company's sales of OPEGAN fell as a result of the impact of NHI drug price reductions and inventory adjustments at the sales partner.

Sales of MucoUp, a surgical aid for use in endoscopic mucosal resection, rose due to factors including user appreciation of activities to increase penetration of endoscopic surgical techniques.

- Overseas Pharmaceuticals (¥3,940 million, up 12.4% compared with fiscal 2011)
Regarding SUPARTZ, the product name of ARTZ in the U.S., despite sales activities focused on differentiation from the competitors, both local sales and the Company's export sales fell due to an increase in the number of insurance companies restricting reimbursement for products with multiple-injection formulations.

Sales of ARTZ in China continued to develop favorably based on an excellent reputation there for its "high quality" and status as "a world-first original drug," mainly among medical institutions in major cities. The Company's export sales to China rose sharply.

In August 2012, the Company won the patent infringement lawsuit for Gel-One, a single-injection injectable treatment for osteoarthritis pain of the knee launched in January 2012. Following this, measures for full-scale sales have been gaining momentum and the Company's export sales also increased. Efforts to establish sales channels among major pharmaceutical distributors have been continuing and we will implement further sales expansion measures together with sales partner Zimmer, Inc.

- Bulk Products (¥1,417 million, down 17.8% compared with fiscal 2011)
Bulk hyaluronic acid fell reflecting a high level of shipments in fiscal 2011. In addition, shipments of bulk chondroitin sulfate were low.

LAL Business

Despite robust sales in Japan of endotoxin-detecting reagents for use in quality control, etc., net sales of the LAL business fell 9.0% compared with fiscal 2011 to ¥3,513 million as a result of discontinuation of the research reagents business in March 2012.

Changes in Reporting Segments

The Company changed its reporting segments beginning in fiscal 2012 accompanying the discontinuation of the research reagents business and the absorption-type merger of Seikagaku Biobusiness Corporation (formerly a consolidated subsidiary). The previous fine chemicals segment, which consisted of "reagents and diagnostics" (endotoxin-detecting reagents and research reagents) and "bulk products," has been eliminated. Bulk products have been included in the pharmaceuticals segment, and endotoxin-detecting reagents, etc. are reported as the LAL business. The details of net sales in each segment following the change are as follows.

-Pharmaceuticals Business

Domestic Pharmaceuticals:	Sales related to the pharmaceuticals in the domestic market
Overseas Pharmaceuticals:	Sales related to the pharmaceuticals export
Bulk products:	Domestic and overseas sales related to bulk products and so on

-LAL Business

Sales related to endotoxin-detecting reagents

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 introduction of new products, which hold the key to future business growth, the Company strikes a proper balance between in-house development and in-licensing and are working to strengthen the glycoscience research network in Japan and overseas and further develop our R&D organizational structure.

Total R&D expenses in fiscal 2012 were ¥6,838 million, or 25.7% of net sales, and the number of R&D personnel was 224, or 34.9% of the total number of employees at the end of March 2013. The state of progress of principal R&D activities is described below.

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

The Company completed case registration for a Phase III clinical trial in Japan in February 2013, and the study is now in the observation period. The Company plans to apply for Marketing Approval in fiscal 2013. The Company has completed a Phase II clinical trial in the U.S. and initiated a Phase III clinical trial in April 2013.

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 surgery.

Meanwhile, the Company concluded an exclusive distributorship agreement in Japan with Kaken Pharmaceutical Co., Ltd. in December 2012.

SI-657 (an additional indication for ARTZ for the treatment of enthesopathy: developed in Japan)

The Company completed a late Phase II clinical trial in October 2012 and initiated a Phase III clinical trial in May 2013. 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-613 (treatment of knee osteoarthritis: developed in Japan)

The Company began case registration for a Phase II clinical trial in March 2013. SI-613 is a new 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 an NSAID designed for sustained release 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-614 (treatment of dry eye: developed in the U.S.)

The Company completed Phase II clinical trial in September 2012. Since a clinically useful effect was confirmed, the next clinical trial is under consideration.

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

A Phase I clinical trial of a single-drug oral dose has been completed in Japan. Since the originator Can-Fite BioPharma has been currently conducting a late Phase II clinical trial of SI-615 as a single agent, the Company plans to consider the future development strategy while assessing the progress of this trial, etc.

3) Forecasts for Fiscal 2013

The Company forecasts a 12.2% increase in net sales to ¥29,900 million in fiscal 2013 ending March 31, 2014, thanks to sales increases of ARTZ in Japan and to China, as well as sales expansion for Gel-One, also anticipating the impact of yen depreciation*[1].

The Company forecasts a 45.5% increase in operating income to ¥4,550 million due to a sales increase and a change in the depreciation method*[2], despite an increase in selling expenses in connection with sales promotion for Gel-One, etc. and higher R&D expenses resulting from progress in development themes. The Company forecasts a 16.2% increase in ordinary income to ¥5,000 million, reflecting a decrease in royalty income, and a 24.4% increase in net income to ¥4,050 million to result from a decrease in income tax due to continued application of preferential taxation to the Takahagi Plant, etc.

The Company forecasts R&D expenses of ¥7,050 million, an increase of 3.1% year on year, and a ratio of R&D expenses to net sales of 23.6%.

*1 The exchange rate assumption used in the forecast of consolidated business results for fiscal 2013 is ¥95 to the U.S. dollar.
*2 Beginning in fiscal 2013 the Company will change the depreciation method of property, plant, and equipment from the previous declining-balance method to the straight-line method to more appropriately reflect the actual characteristics of the business along with active capital investments of recent years.

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. Now, on the basis of the results of the plan and a review, the Company has established a new 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”
  - **A**dvance: Highly advanced technologies
  - **C**hallenge: Minds open to challenges
  - **T**ransparency: 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 2012

In April 2011, the Company was filed a lawsuit by Genzyme Corporation (headquartered in Massachusetts, U.S.) which claimed that Gel-One, a single-injection injectable treatment for osteoarthritis pain of the knee, infringes their patents. The Company, however, won the lawsuit as, on the basis of a verdict of a jury sitting in the United States District Court for the District of Massachusetts, the court entered a ruling denying patent infringement in August 2012. In the U.S., demand for an injectable treatment for osteoarthritis pain of the knee that demonstrates pain relief with a single injection is increasing, and the Company is proceeding with the establishment of sales channels for Gel-One to reach major pharmaceutical distributors and engaging in sales promotion activities that publicize product characteristics. To secure production capacity to cope with medium- to long-term expansion of sales of Gel-One, the Company has completed construction of dedicated production facilities at the Takahagi Plant, with operation scheduled to begin in January 2014.

In the Japanese market, in response to market expansion resulting from an increase in the aged population and disease awareness campaigns conducted over many years, deliveries of ARTZ, an injectable treatment for osteoarthritis pain of the knee, are steadily increasing despite the impact of periodically implemented NHI drug price reductions. To cope with further demand expansion, the Company is constructing the No. 5 Production Building at the Takahagi Plant, with operation scheduled to begin in January 2015.

In new drug development, a Phase III clinical trial in Japan for SI-6603, a treatment for lumbar disc herniation, is steadily progressing. In the U.S. as well, the Company initiated a Phase III clinical trial in April 2013. Furthermore, to expand the product line for orthopedic disorders, designated as one of the main disease areas, in March 2013 the Company initiated a Phase II clinical trial in Japan for SI-613, for treatment of knee osteoarthritis.

In addition, as a compliance promotion measure, the Company has developed systems for the early discovery and resolution of problems: for instance, revision of the internal whistleblowing system to enhance convenience, mainly in the area of clear identification of the point of contact for anonymous reporting. To earn the trust of all stakeholders, including shareholders, patients, business partners, and employees, the Company will continue to work to improve management transparency by maintaining high ethical standards and a strong sense of responsibility and by striving to ensure good-faith corporate activities that reflect constant awareness of compliance and enhance corporate governance.

#######