November 8, 2011

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the First Six Months of Fiscal Year 2011 (Six-Month Period Ended September 30, 2011)

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 First Six Months of Fiscal Year 2011
(from April 1, 2011 to September 30, 2011)

(1) Consolidated Financial Results

(Percentages indicate changes over the same period in fiscal 2010)

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of Yen	%	Millions of yen	%
First six months of FY 2011	13,795	(0.6)	3,213	78.6	3,183	85.4
First six months of FY 2010	13,882	(0.6)	1,799	(37.1)	1,717	(38.5)

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	Yen	Yen
First six months of FY 2011	2,109	79.1	37.13	-
First six months of FY 2010	1,178	(37.8)	20.74	-

(Note) Comprehensive income:
First six months of FY 2011: ¥1,892 million (141.1%)
First six months of FY 2010: ¥784 million (- %)

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2011	64,453	57,289	88.9
As of March 31, 2011	62,684	56,106	89.5

(Reference) Shareholders' equity:
As of September 30, 2011: ¥57,289 million
As of March 31, 2011: ¥56,106 million

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2010	-	12.50	-	12.50	25.00
FY 2011	-	12.50			
FY 2011 (Forecast)			-	12.50	25.00

(Note) Revision to dividend forecast in the quarter under review: No

3. Forecast of Consolidated Financial Results for Fiscal Year 2011 (from April 1, 2011 to March 31, 2012)

(Percentages indicate changes from in fiscal 2010)

	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
Fiscal 2011	27,000	(0.4)	4,700	+33.0	4,800	+15.4	3,200	+30.5	56.33

(Note) Revision to the nearest consolidated results forecast for the fiscal 2011: Yes

4. Others

(1) Changes in the state of material subsidiaries in the quarter under review: No

(2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: Yes

3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements

(a) Changes in accounting principles 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)	First six months of fiscal 2011	58,584,093shares	Fiscal 2010	58,584,093 shares
(b) Number of treasury stock at the end of the period	First six months of fiscal 2011	1,776,689 shares	Fiscal 2010	1,776,565 shares
(c) Average number of shares issued during the period (six months)	First six months of fiscal 2011	56,807,467shares	First six months of fiscal 2010	56,807,693 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 Law. At the time when this quarterly summary was disclosed, the quarterly 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 for the First Six Months of the Fiscal Year Ending March 31, 2012

(1) Qualitative information on quarterly financial results

Consolidated operating results

In the first six months (April 1, 2011 to September 30, 2011) of the fiscal year ending March 31, 2012 (fiscal 2011), net sales fell 0.6% to ¥13,795 million, a decrease attributable to the impact of yen appreciation. The decrease occurred even though overseas pharmaceutical sales volume increased and an increase in sales of bulk hyaluronic acid compensated for a decrease in pharmaceutical sales in Japan.

On the earnings front, operating income rose 78.6% to ¥3,213 million, ordinary income rose 85.4% to ¥3,183 million and net income rose 79.1% to ¥2,109 million. In addition to an increase in gross profit resulting mainly from cost reductions in areas including depreciation of the No. 4 Production Building at the Takahagi Plant, there was a decrease in R&D expenses because of no special factor in the first half of fiscal 2011 different from the first half of fiscal 2010 when Phase II/III clinical trial expenses in Japan of SI-6603 for treatment of lumbar disk herniation was posted in full and also due to slippage of planned posting the U.S. clinical trial expenses for SI-6603 to the second half of fiscal 2011

1) Net sales by segment

Pharmaceuticals

-Domestic (¥9,330 million, down 1.0% compared with the first six months of fiscal 2010)

Although the market in Japan for ARTZ®, an injectable treatment for osteoarthritis pain of the knee, expanded as a result of an increase in the aged population and the impact of patient awareness campaigns targeting knee osteoarthritis sufferers conducted together with sales partner Kaken Pharmaceutical Co., Ltd., the growth rate slowed compared to the first half of fiscal 2010. This was because a trend holding off medical consultation was seen due to the impact of the Great East Japan earthquake. In these circumstances, sales expansion activities that capitalized on the brand reputation of ARTZ® as the original drug in its category contributed to an increase in deliveries to medical institutions, resulting in a market share increase for ARTZ®. However, shipments from Seikagaku to the sales partner decreased from the high level of the first half of fiscal 2010, when a new plastic syringe product was introduced.

Sales of the ophthalmic surgery aid OPEGAN® decreased, although the Company continued sales promotion activities focused on target medical institutions conducted in collaboration with sales partner Santen Pharmaceutical Co., Ltd. However, deliveries to medical institutions and our sales fell due to factors including a decrease in the number of cataract operations following the earthquake disaster and intensified competition.

Sales of MucoUp®, a surgical aid for use in endoscopic mucosal resection, increased due in part to a focus on awareness activities to increase penetration of endoscopic surgical techniques conducted in cooperation with sales partner, Johnson & Johnson K.K., although the number of endoscopic operations grew at a sluggish pace following the earthquake disaster.

-Overseas (¥1,650 million, up 1.3% compared with the first six months of fiscal 2010)

U.S. sales of SUPARTZ®, the product name of ARTZ® in the U.S., were at roughly the level of the first half of fiscal 2010 as the impact of a tightening of insurance reimbursements by some insurance companies took a round and sales via specialty pharmacies, where SUPARTZ® can be sold at comparatively high prices, increased. The Company’s export sales to the U.S. decreased due to the impact of yen appreciation, despite an increase on a volume basis.

Meanwhile, export sales to China continued to rise. ARTZ® enjoys an excellent reputation in China for its high quality and globally original drug, particularly among medical institutions in major cities. In addition, export sales to Europe increased due to factors including carryover into the first half of fiscal 2011 of shipments planned for the end of fiscal 2010 due to the impact of the earthquake.

As a result, overall sales of pharmaceuticals fell 0.7% from the first half of fiscal 2010 to ¥10,981 million.

Fine Chemicals

Sales in overseas markets of endotoxin-detecting reagents for use in quality control developed favorably, and sales of bulk hyaluronic acid also increased. Nevertheless, sales of fine chemicals fell 0.5% to ¥2,814 million due to yen appreciation and the impact of the transfer of the in-vitro diagnostic business in the first half of fiscal 2010.

(2) Qualitative information on forecast of consolidated financial results

Taking into account the first-half business results and factors foreseeable at the present time, the Company has revised the forecast of consolidated financial results for the fiscal year ending March 31, 2012 announced on May 11, 2011 as follows.

Despite favorable ARTZ® shipment to the U.S. and China, net sales are expected to fall short of the level of the previous forecast as a result of the impact of yen appreciation coupled with a decrease in sales of pharmaceuticals in Japan caused by the earthquake disaster, etc.

On the earnings front, operating income, ordinary income, and net income have been revised downward from the level of the previous forecast. Although selling, general and administrative expenses are forecast to decrease due to a review of R&D expenses based on the present status and a reduction in selling-related expenses, this will not fully compensate for a decrease in gross profit. In addition, an increase in foreign exchange losses related to valuation of foreign currency assets accompanying yen appreciation is forecast.

As a result, the Company forecasts net sales of ¥27,000 million (a decrease of 3.6% from the previous forecast), operating income of ¥4,700 million (a decrease of 2.1%), ordinary income of ¥4,800 million (a decrease of 5.9%), and net income of ¥3,200 million (a decrease of 3.0%). The forecast for R&D expenses is ¥5,700 million (a decrease of 3.4%), to result in a ratio of R&D expenses to net sales of 21.1%.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
Previously announced forecast (A)	28,000	4,800	5,100	3,300	58.09
Revised forecast (B)	27,000	4,700	4,800	3,200	56.33
Difference (B - A)	(1,000)	(100)	(300)	(100)	–
Difference (%)	(3.6)	(2.1)	(5.9)	(3.0)	–
Prior-year results (fiscal 2010)	27,117	3,533	4,159	2,451	43.16

Note: The foreign exchange rate assumption for the second half of the fiscal year used in the forecast of consolidated financial results has been changed to ¥77 to the U.S. dollar from ¥83 of the previous forecast.

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