

*G*lycoscience for *H*uman *W*ell-being



SEIKAGAKU CORPORATION

Financial Results for the Fiscal Year 2008

(April 1, 2008-March 31, 2009)



Financial results for FY2008

(Million Yen)

	FY 2008 Results	FY 2007 Results	vs. Previous Year	Forecast 11/7 Announced	vs. Forecast
Net Sales	27,207	27,630	-422 (-1.5%)	27,700	-492 (-1.8%)
Operating Income	4,729	6,676	-1,947 (-29.2%)	5,000	-270 (-5.4%)
Ordinary Income	5,094	6,867	-1,773 (-25.8%)	5,500	-405 (-7.4%)
Net Income	3,175	4,243	-1,068 (-25.2%)	3,400	-224 (-6.6%)
Net Income per Share	¥55.68	¥73.67	-¥17.99	¥59.55	-¥3.87

Exchange Rate
(1US\$)

¥98.23

¥100.19

¥100.00
(2nd half forecast)



Factors Influencing Business Results for FY2008

(year-on-year comparisons)

(Million Yen)

Net sales: ¥27,207 million (-442, -1.5%)

[Pharmaceuticals (+196)]

Japan (+841): Drug prices cut of approx. 6%, ARTZ sales boosted by volume growth,
OPEGAN sales similar to previous year's level

Overseas (-645): U.S. sales lower because of strong yen, etc.,
sustained steady growth of sales in China

[Research Reagents & Diagnostics (-37)] Sales of U.S. subsidiary down due to strong yen

[Bulk Products (-319)] Liver hydrolysate business sold, lower sales of sodium hyaluronate

[Other Products (-262)] Reaction to transient increase in previous year

Operating income: ¥4,729 million (-1,947, -29.2%)

[Cost of sales (+1,306)] Volume growth in pharmaceutical sales in Japan,
depreciation of No.4 Production Building, etc.
Cost of sales ratio (excluding royalties): 37.3% (+4.1 points)

[SG&A expenses (+487)]

R&D expenses: +311 — Gel-200 clinical trial costs (for repeat
administration), depreciation, labor costs

Other items: +176 — Gel-200-related expenses, etc.

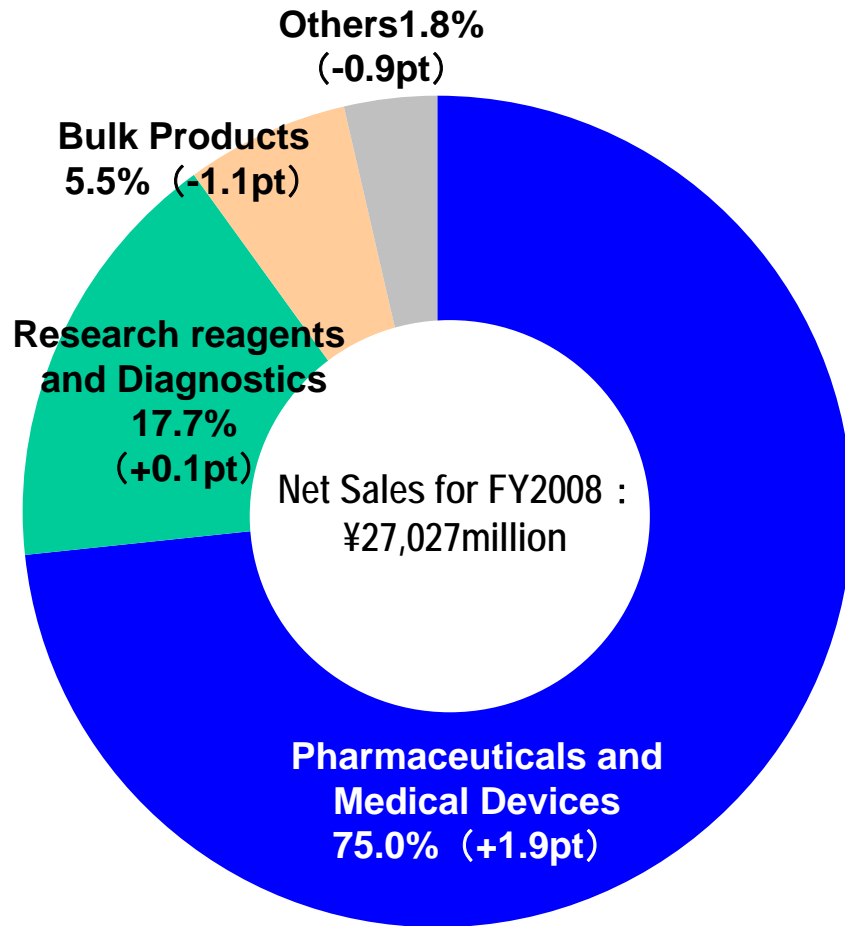
Net income: ¥3,175 million (-1,068, -25.2%)

[Extraordinary losses (+227)] Valuation losses on and losses on sales of bonds

[Income taxes (-932)] Due to reduced pre-tax income and other factors



Net Sales by Business Segment



(Million Yen)

Segment	Net Sales	vs. Previous Year	Change
Domestic Pharmaceuticals	16,276	+841	+5.5%
Overseas Pharmaceuticals	4,128	-645	-13.5%
Research reagents and Diagnostics	4,824	-37	-0.8%
Bulk Products	1,492	-319	-17.6%
Others	485	-262	-35.1%
Total	27,207	-422	-1.5%
(Overseas Sales)	7,462	-307	-4.0%



0%

25%

50%

75%

100%



Factors Influencing Business Results for FY2008

(in comparisons with forecast released on November 7, 2008)

(Million Yen)

Net sales: ¥27,207 million (-492, -1.8%)

- Some overseas royalties delayed to the year ending March 2010
- Sales of bulk products below target

Operating income: ¥4,729 million (-270, -5.4%)

- R&D expenses (-235): Forecast: 6,200, actual: 5,964

Net income: ¥3,175 million (-224, -6.6%)

[Increase in non-operating expenses]

Increased exchange losses

(actual rate: ¥98.33/US\$, forecast rate: ¥100.00/US\$)

[Reduction of extraordinary losses]

Reduced through adjustments of financial asset position

[Reduced income taxes] Due to lower income



Overview of Consolidated Forecast For FY2009(year-on-year)

(Million Yen)

	Forecast for FY2009	FY2008	vs. Previous Year
Net Sales	29,200	27,207	+1,992 (+7.3%)
Operating Income	5,400	4,729	+670 (+14.2%)
Ordinary Income	5,500	5,094	+405 (+8.0%)
Net Income	3,700	3,175	+524 (+16.5%)
Net Income per Share	¥64.89	¥55.68	+¥9.21
Exchange Rate (1US\$)	¥96.00 (Forecast)	¥98.23 (End of year)	



Factors Contributing to FY2009 Forecast

(¥million)

Net sales: ¥29,200 million (+1,992, +7.3%)

[Pharmaceuticals (+1,194)]

Japan (+1,423): Higher sales of both ARTZ and OPEGAN

Overseas (-228): U.S.—Volume up, but sales lower due to strong yen and falling local prices

China—Slower growth due to strong yen, etc., though steady local sales

[Research Reagents & Diagnostics (+75)] Increased sales of endotoxin-detecting reagents

[Bulk Products (+207)] Higher sales of sodium hyaluronate

[Other Products (+514)] Higher overseas royalties

Operating income: ¥5,400 million (+670, +14.2)

[Increased cost of sales] Volume growth in pharmaceutical sales
Increased depreciation of No.4 Production Building

[Increased SG&A expenses] R&D expenses: static (+35; rising to 6,000)
Higher marketing expenses due to sales growth

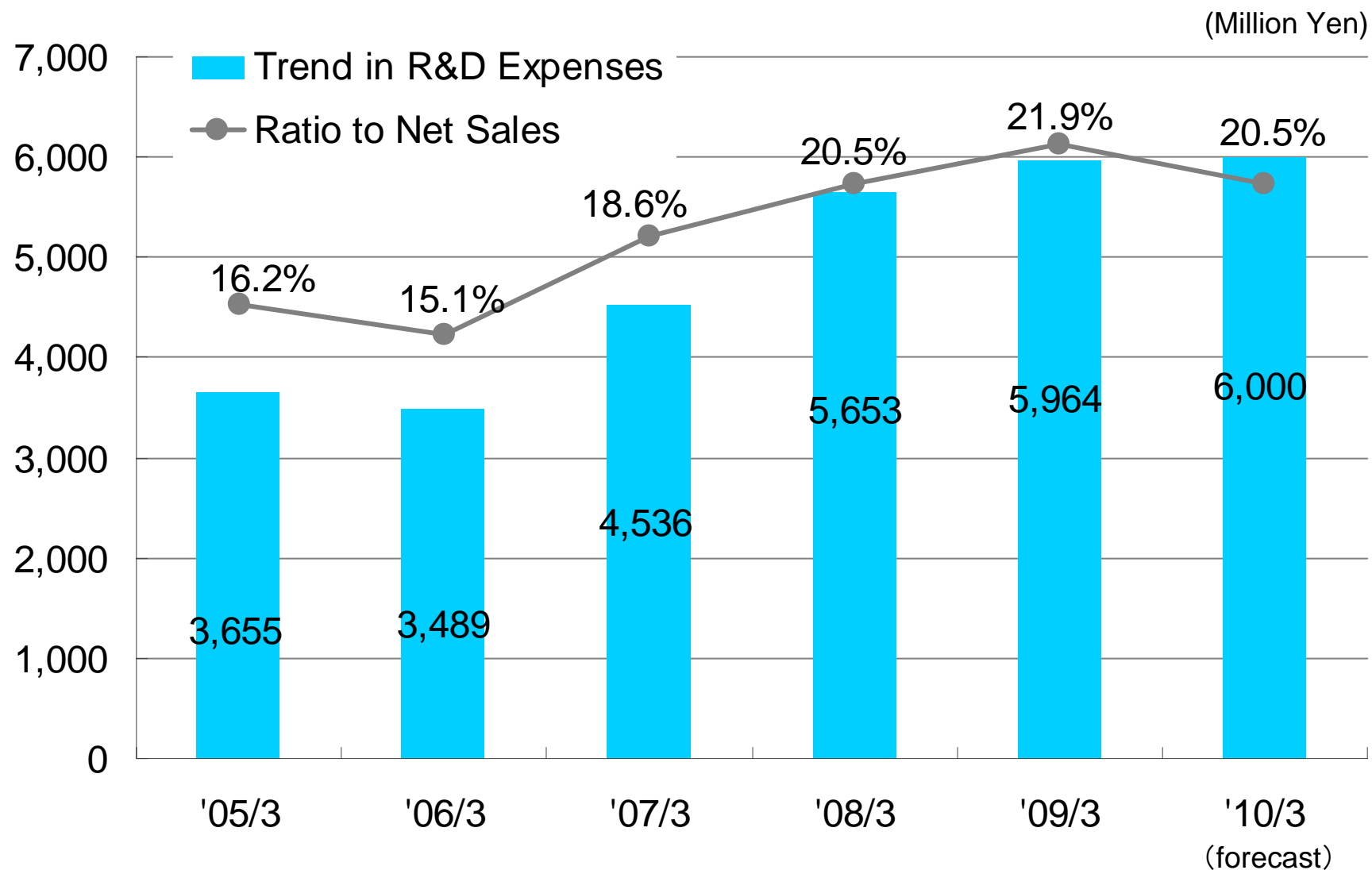
Net income: ¥3,700 million (+524, +16.5%)

[Reduction of non-operating income] Decline in dividend income, forex losses, etc.

[Reduction of extraordinary losses] No major losses anticipated



Trend in R&D Expenses and Ratio to Net Sales



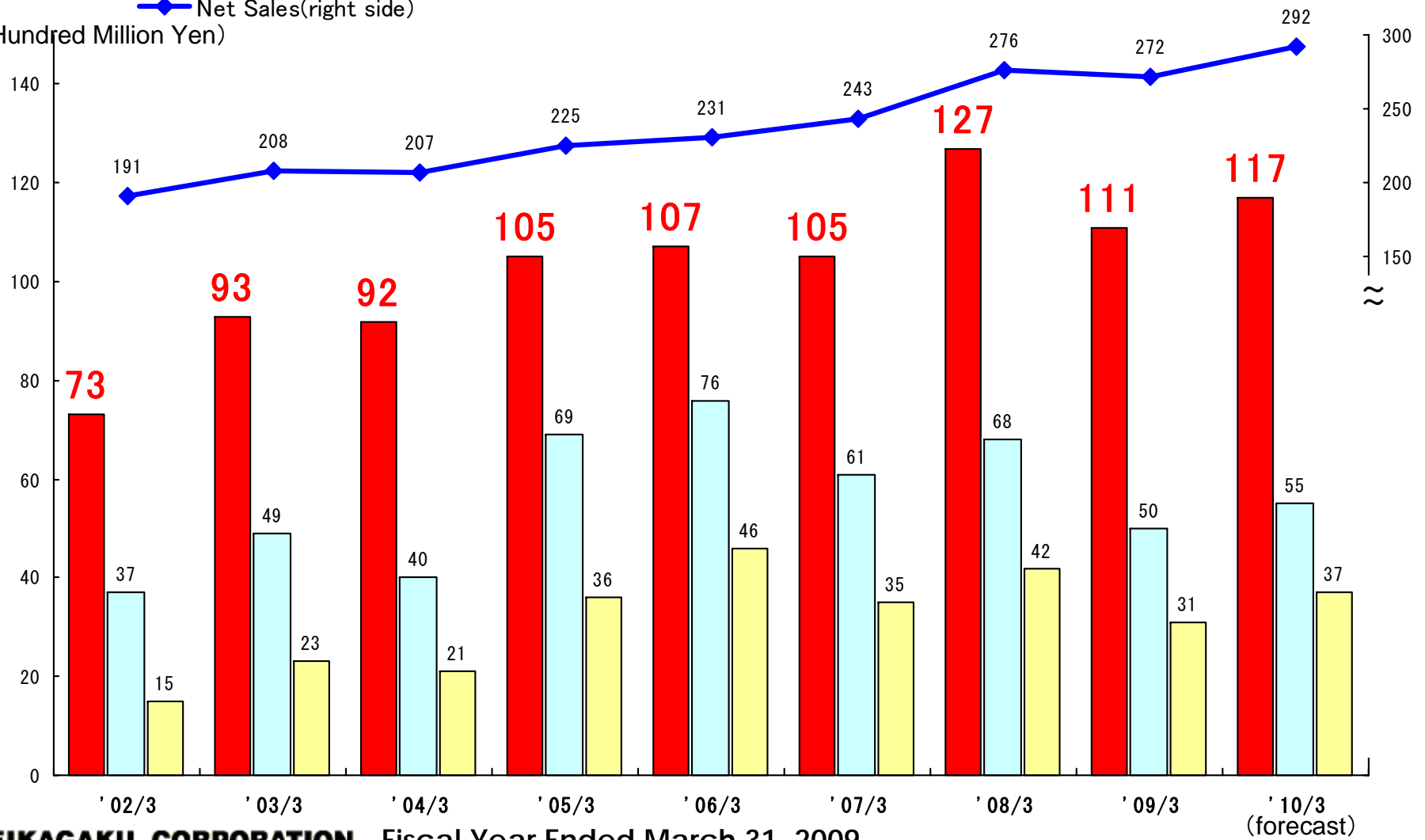


Trend in Financial Results

- Ordinary Income before R&D Expense and foreign exchange gain or loss
- Ordinary Income
- Net Income
- ◆ Net Sales(right side)

(Hundred Million Yen)

(Hundred Million Yen)



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Sales of Core Products

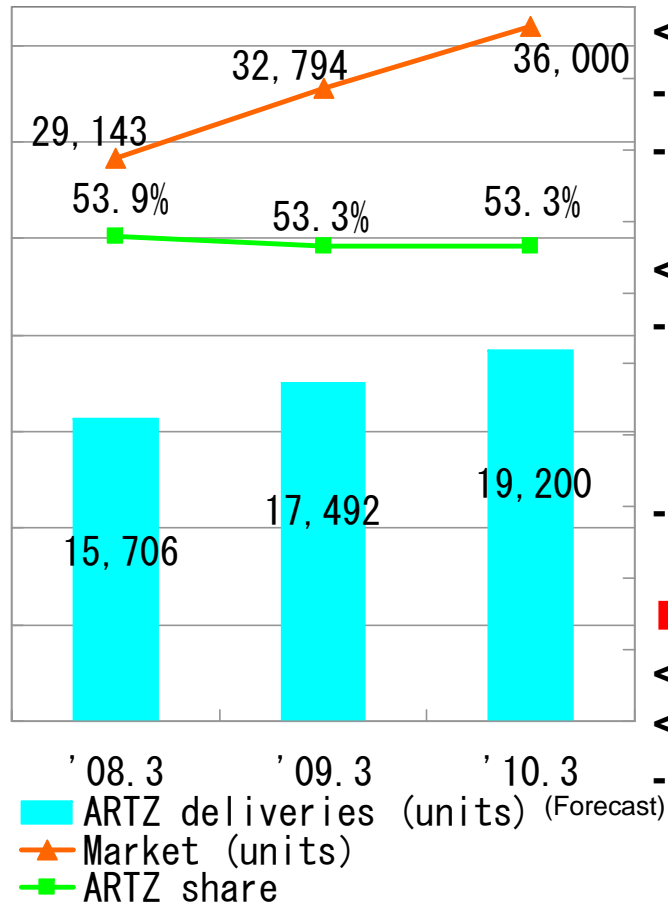




ARTZ[®] Sales (Domestic)

ARTZ (domestic)

(Thousand of units)



(Unit deliveries to medical institutions, year-on-year change)

■ Results for FY2008

<Market> +12.5%

- Growing population of aged people
- Continuous campaigns to raise public awareness of knee osteoarthritis

<ARTZ>+11.4%

- Acquired new customers through public awareness campaigns and promotion to other medical practitioners, such as internists and surgeons, in addition to orthopaedists
- Sales volume increase more than offset NHI reimbursement price cut (-5.8%), resulting in revenue growth

■ Forecast for FY2009

<Market> +10.0%

<ARTZ> +10.0%

- Continue public awareness campaigns and promotion to orthopaedists and other medical practitioners, such as internists and surgeons
- Aim at ARTZ sales growth in step with market expansion



Public Awareness Campaign in FY2008



NHK public symposium on March 9

- Activities during FY2008

National initiatives

Two public information advertorials in '08/8

- 1) NHK's *Kyo no Kenko* (Health for Today) text
- 2) Asahi Shinbun newspaper (national edition)

Local initiatives

Full-page advertisements in 11 major regional newspapers from '08/11 to '09/1

→ These media approaches brought over 5,000 requests for information

Symposium

Co-sponsorship of NHK public symposium on knee osteoarthritis in '09/3, which was aired on TV in late March

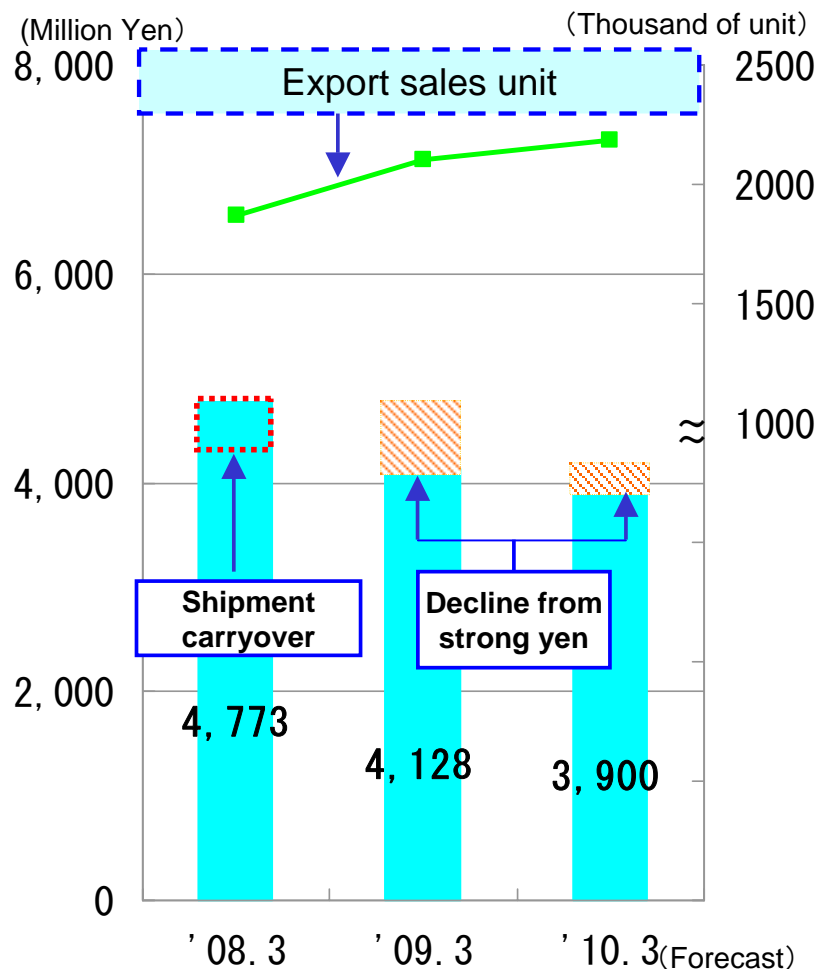
- Plan for FY2009

Nationwide campaign using national and local newspapers, websites and other media



ARTZ[®] Export Sales

ARTZ export sales



■ Export sales value (left scale)
 ■ Export sales unit (right scale)

(Value of export sales, year-on-year change)

■ Results for FY2008: -13.5%

<US> -20.8%

- Local sales: Slower growth due to escalating competition and lower selling prices
- Seikagaku export sales
 - Impact of yen appreciation (approx. 12% decline)
 - Volume decline due to backwash from last year's increase caused by shipment carryover
 - Reduction of selling prices

<Other markets> +26.0%

Exports to China buoyant, reflecting recognition as high-quality, FDA-approved brand

■ Forecast for FY2009: -5.5%

<US> -6.0%

- Local sales: Unit sales expected to increase amid continuing fierce market conditions
- Seikagaku export sales:
 - Shipment volumes expected to be the same as local sales volumes
 - Sales value will decline due to impact of strong yen and further price declines

<Other markets> -3.9%

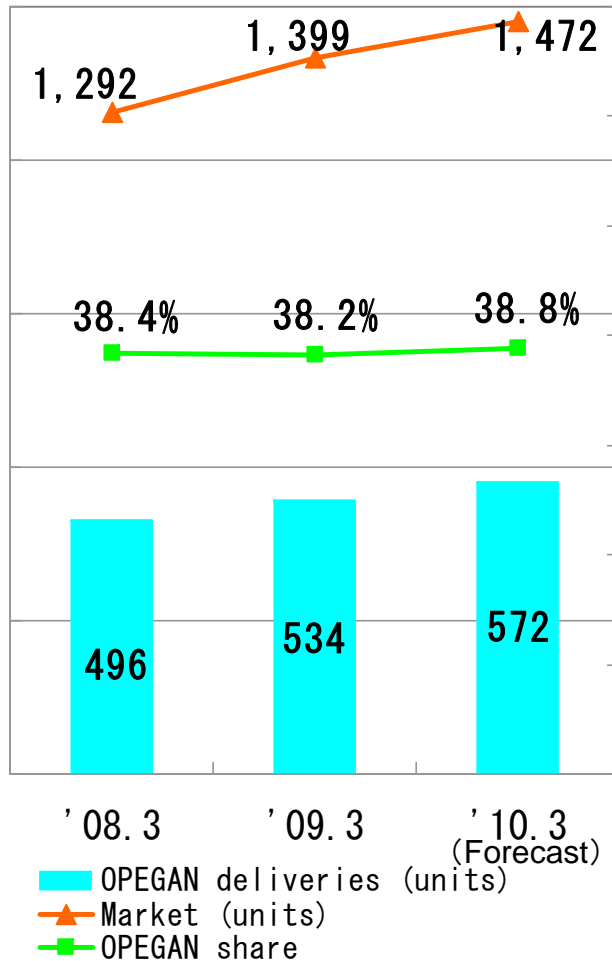
- Strong yen and shipment carryover will result in same level of export sales
- Local sales in China expected to be steady



OPEGAN[®] Sales

OPEGAN[®]

(Thousand units)



(Deliveries to medical institutions, year-on-year change)

■ Results for FY2008

<Market> +8.3%

- Increased number of cataract operations in step with growth of aged population
- Market growth rate boosted by special factor (the inclusion of some generics into market data due to shift of sales channels)

<OPEGAN> +7.9%

- Top market share maintained
- Higher-than-market growth, if special factor excluded
- Revenues remained same as last year's level due to reimbursement price cut (-7.1%)

■ Forecast for FY2009

<Market> +5.2%

<OPEGAN> + 6.9%

Growth expected to remain above market growth rate, with continued efforts to expand market share

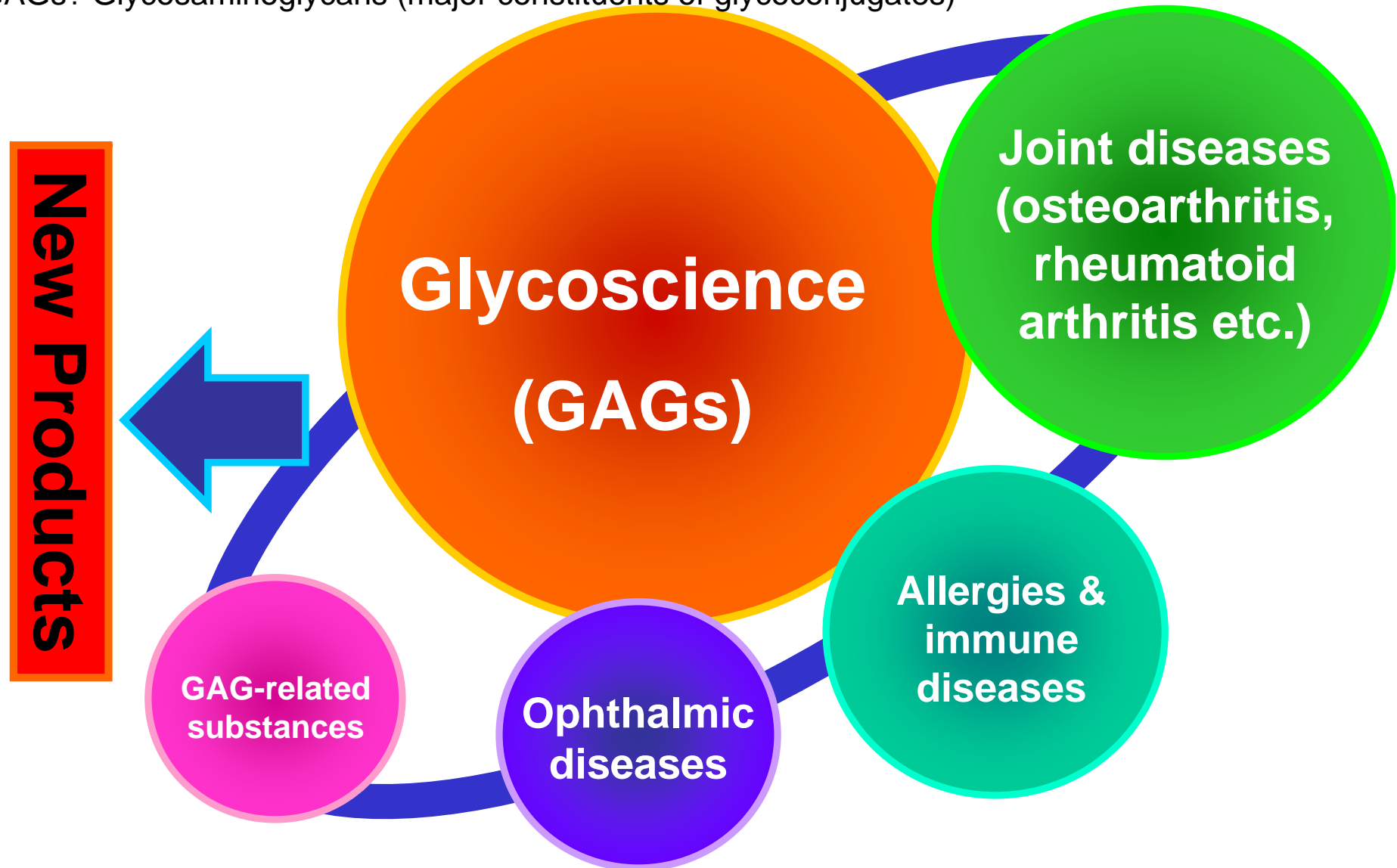
Current Status of the R&D Activities





Basic Policy of Research & Development

* GAGs: Glycosaminoglycans (major constituents of glycoconjugates)





Pipeline List

Development code/ product name etc.	Lead Indication	Target Market	Pre-clinical	P I	P II	P III	Applic ation	Appr oval
Gel-200 Cross-linked hyaluronate hydrogel	Knee osteoarthritis	U.S.						
SI-602 Indication addition for SUPARTZ® (U.S.)	Shoulder osteoarthritis	U.S.					P III completed	
SI-6603 Chondroitinase ABC	Lumbar disc herniation	Japan					P II / III	
		U.S.						
SI-615 Adenosine A3 receptor agonist	Rheumatoid arthritis	Japan						
SI-636* Anti-VAP-1 antibodies	Rheumatoid arthritis, Inflammatory bowel disease, Psoriasis	Japan						
	Opthamalic products							
	Arthritic disorder products							

* Development code has changed from SI-3106 to SI-636



Progress on new drug development – 1

Gel-200 (Cross-linked hyaluronate hydrogel): PMA filed (U.S.)

- ❖ Indication: Knee osteoarthritis
- ❖ Outcome of Phase III clinical trial:
Statistically significant efficacy compared to the placebo against pain caused by knee osteoarthritis, the principal evaluation item (per protocol set)
- ❖ Status: A response to the first FDA questions submitted
- ❖ Clinical trial to support marketing completed:
Obtain data indicating repeat administration is safe
- ❖ Selection of sales partner: Negotiation underway with a company



Its high viscoelasticity allows it to remain in joint cavity for long period

SI-602 (additional indication of SUPARTZ in U.S.): P III finished

- ❖ Indication: Shoulder osteoarthritis
- ❖ Status: Phase III trial completed, data collection and analysis in progress

SI-602 coats joint cartilage and improves lubricity



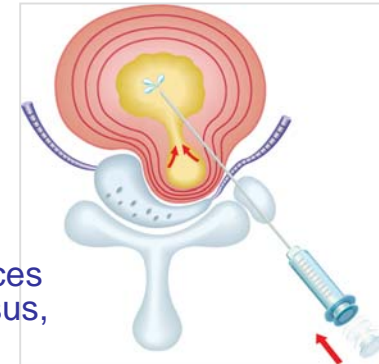


Progress on new drug development – 2

SI-6603 (Chondroitinase ABC): PII/III trial (Japan) and PII (U.S.)

- ❖ Indication: Lumbar disc herniation
- ❖ Status: Phase II/III clinical trial underway in Japan and Phase II in the U.S.

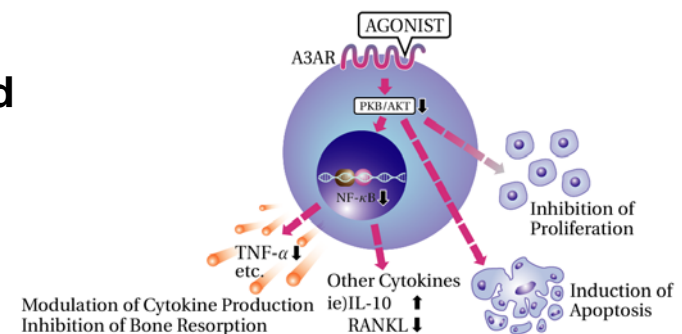
Dissolves GAGs and reduces pressure in nucleus pulposus, making herniation recede



SI-615 (Adenosine A3 receptor agonist): PI (Japan)

- ❖ Indication: Rheumatoid arthritis
- ❖ Status: Phase I trial for single injection completed

SI-615 binds selectively to adenosine A3 receptor, highly expressed in inflammatory region; expected to demonstrate efficacy of treatment



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**Long-term Vision(10-year Vision)
Mid-term Plan FY2009-2011**





Long-term Vision (10-year Vision)

Corporate Positioning

**“ Global Category Pharma ”
Focusing on our chosen field
and marketing worldwide**

- **「Category」**
Converge major R&D resources on Glycoscience
- **「Global」**
Develop internationally competitive products

**Build up a new market every 3 years, by launching
a new product, and/or developing new regions**



Mid-term Plan FY2009-2011

Slogan: **GPS** (**G**lobal, **P**owerful, **S**ustainable)

Correct positioning at present, as well as in the future, and take powerful and sustainable actions in the right direction

Global

Maximize business opportunities by cross-border networking and marketing activities

Powerful

Enhance corporate capabilities to a “Global Category Pharma”

Sustainable

Be a good corporate citizen in highly regulated industry



Financial Target of Mid-term Plan

- Depreciation of new facility beginning in FY2008 (A peak in FY2009)
- R&D expenses ratio to sales:20% or over invest ¥6.0bil - ¥6.3bil annually
- Enforced drug price revision in FY2010

FY2011
Net Sales
¥30.5bil
Op. Income
¥6.0bil

FY2008
Net Sales: ¥27.2bil
Op. Income: ¥4.7bil

Sales increase in ROW

Approval of additional indication (SUPARTZ)

Gel-200 Launch in US market

Sales increase in fine chemicals

Sales growth in Japan (ARTZ & OPEGAN)

Toward Long-term Growth

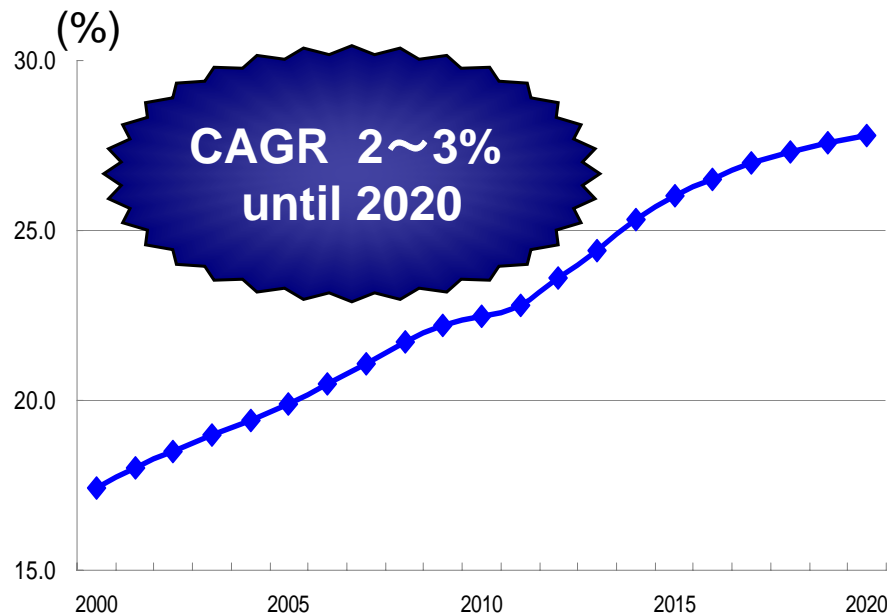
- Further expansion in Japan
- SI-6603 launch in US/Japan
- Growth of Gel-200
- Market development of ARTZ



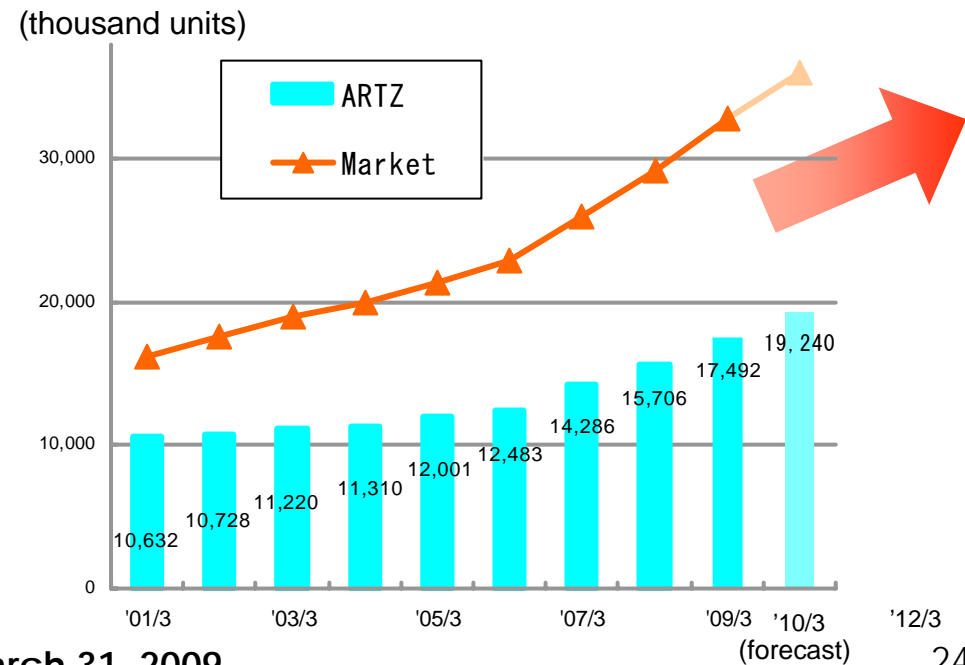
Expanding Market of ARTZ in Japan

- Japanese knee osteoarthritis (OA) market continues to grow due to aging population
- 24 million are inflicted with knee OA, whereas patients under treatment are only 82 million (Survey conducted by Tokyo University)

■ Growing Elderly Population (65 or over)



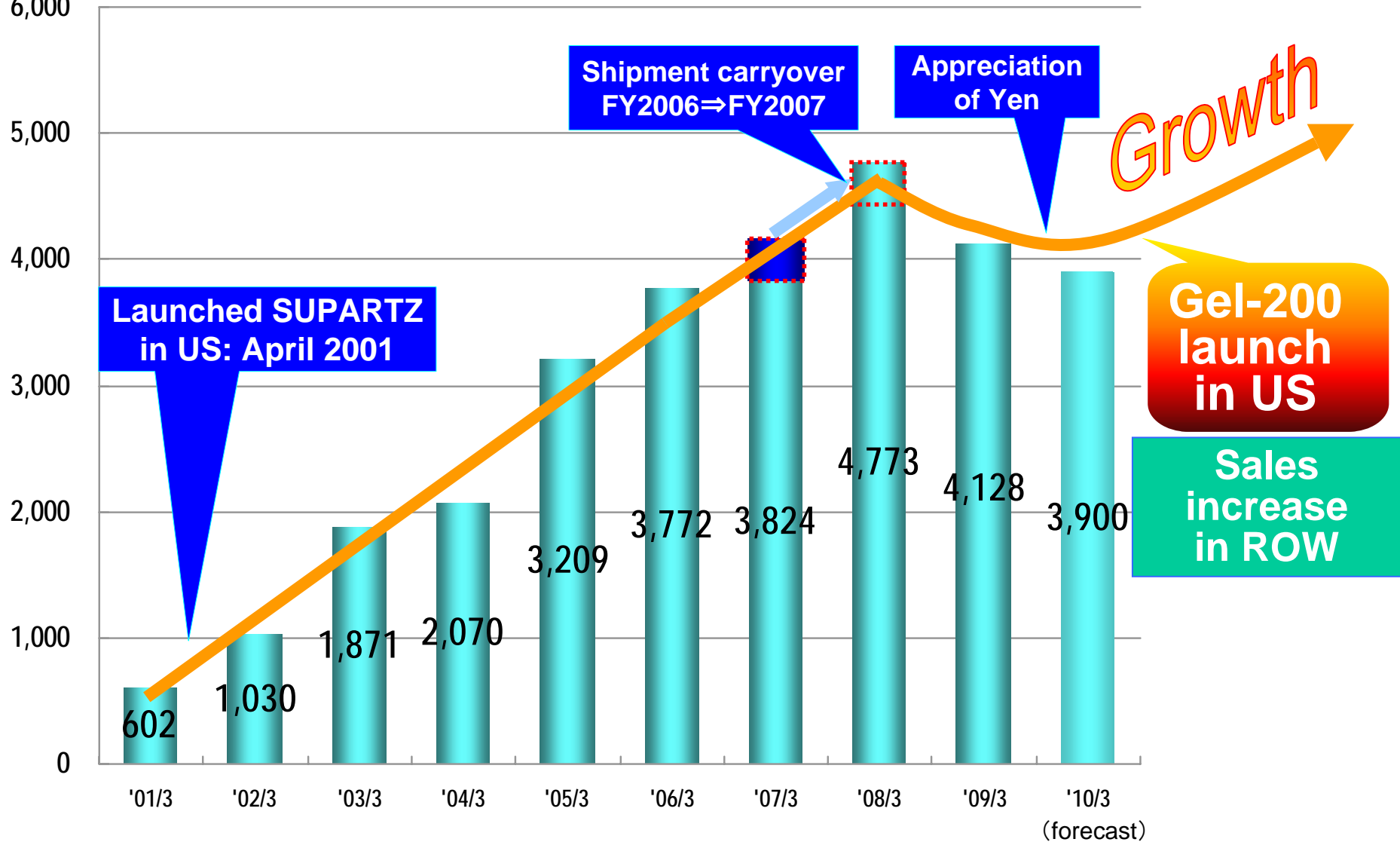
■ Deliveries of ARTZ to Medical Institutions (Japan)





Growth of Hyaluronic Acid Products in Overseas Market

(Million Yen)
6,000



Improvement Measures for Shareholder's Value





Profit Distribution

Dividends

A performance-based dividend policy emphasizing the dividend payout ratio is in place, on a ¥20 per share annual base. We will aim for further improvements, while maintaining a consolidated base dividend payout ratio of 30%.

Dividend forecast for FY2008

Annual **¥25.00** (interim ¥12.50)

Dividend payout ratio **44.9%**

Share buy-back for FY2008

Acquisition cost: **¥748 million**
(0.7 million shares)

Internal Reserve

Appropriated for R&D, and capital investment, etc., in accordance with medium-term focus

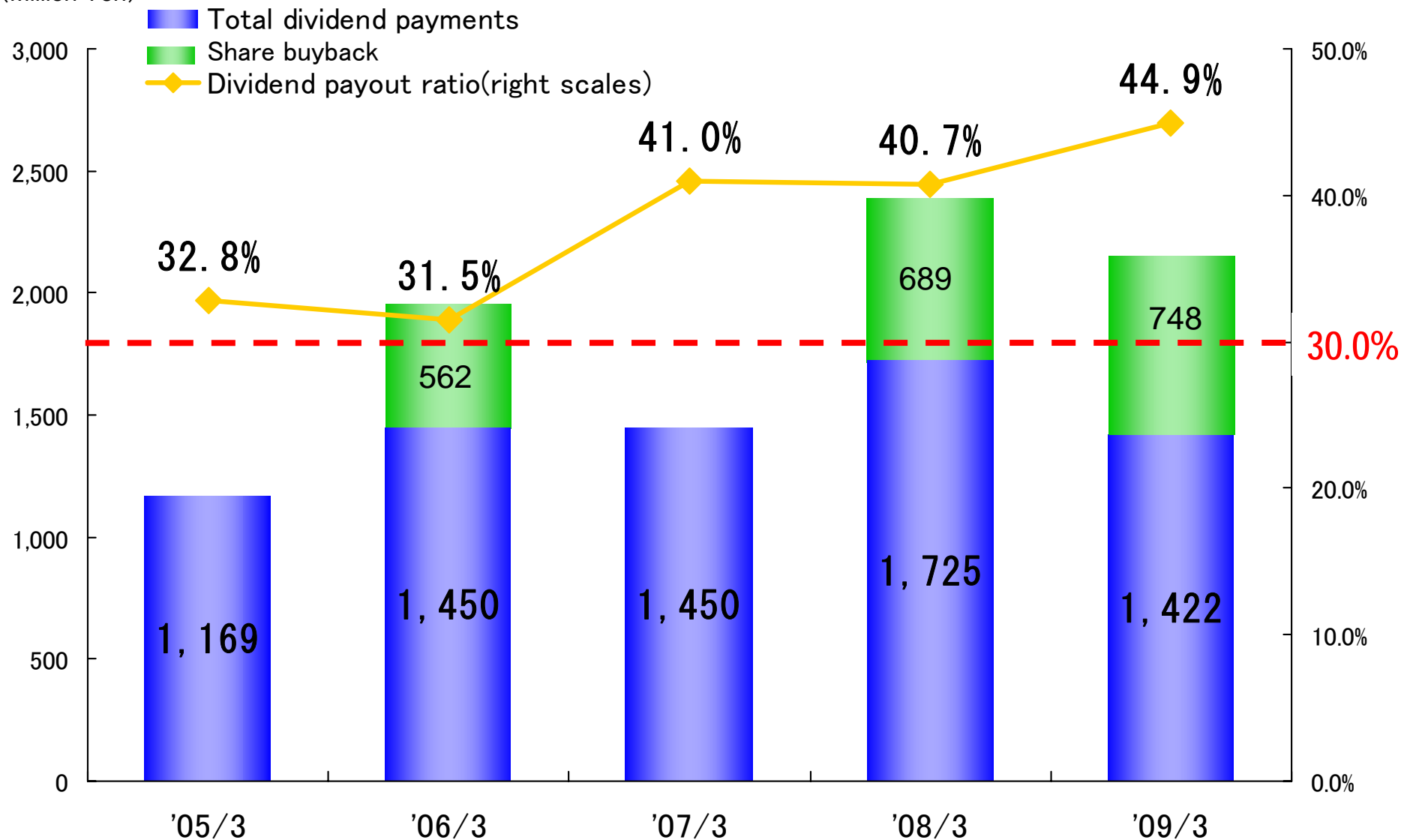
Flexible Capital Policy

Share buy-back is an option for improving capital efficiency



Trend in Dividend and Share Buyback

(Million Yen)



■ **Cautionary statement regarding forward-looking information**

This material includes forward-looking statements based on assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties. Actual financial results may differ materially depending on a number of factors including adverse economic conditions, currency exchange rate fluctuations, adverse legislative and regulatory developments, delays in new product launch, pricing and product initiatives of competitors, the inability of the company to market existing and new products effectively, interruptions in production, infringements of the company's intellectual property rights and the adverse outcome of material litigation.

This material contains information on pharmaceuticals (including compounds under development), but this information is not intended to make any representations or advertisements regarding the efficacy or effectiveness of these preparations nor provide medical advice of any kind.

Appendix

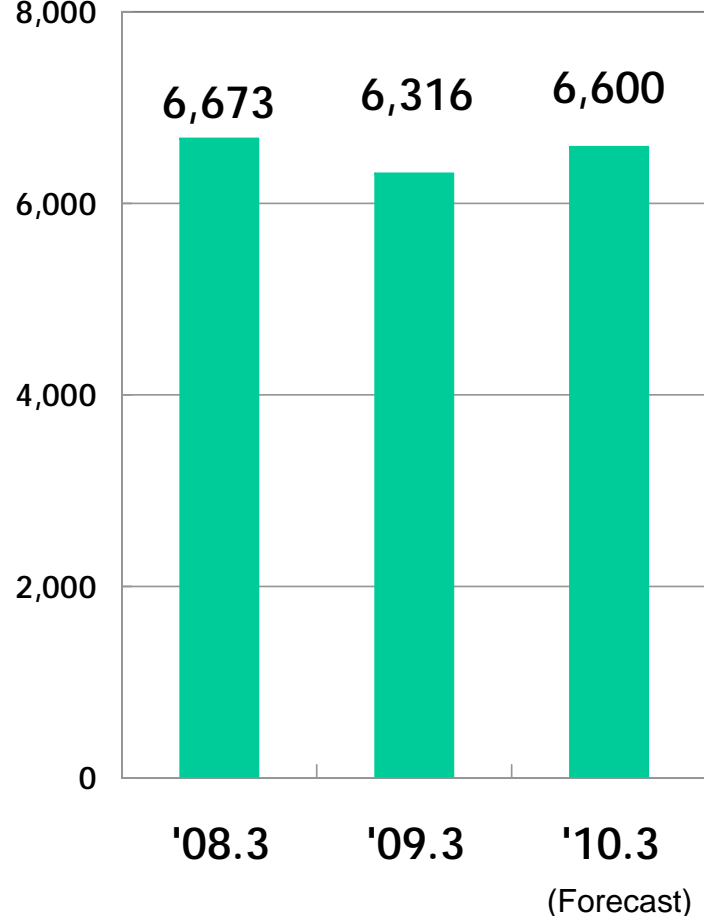




Sales of Fine Chemicals

Fine chemicals

(¥million)



(Sales value, year-on-year change)

■ Results for FY2008: -5.3%

[Bulk products]

- Manufacture and sales of liver hydrolysate terminated following transfer of business
- Reduced sales for pharmaceutical sodium hyaluronate due to price drop

[Research reagents and diagnostics]

- Steady domestic and overseas sales of endotoxin-detecting reagents, but dollar-based sales by ACC (+10%) marginally lower in yen terms

■ Forecast for FY2009: +4.5%

[Bulk products]

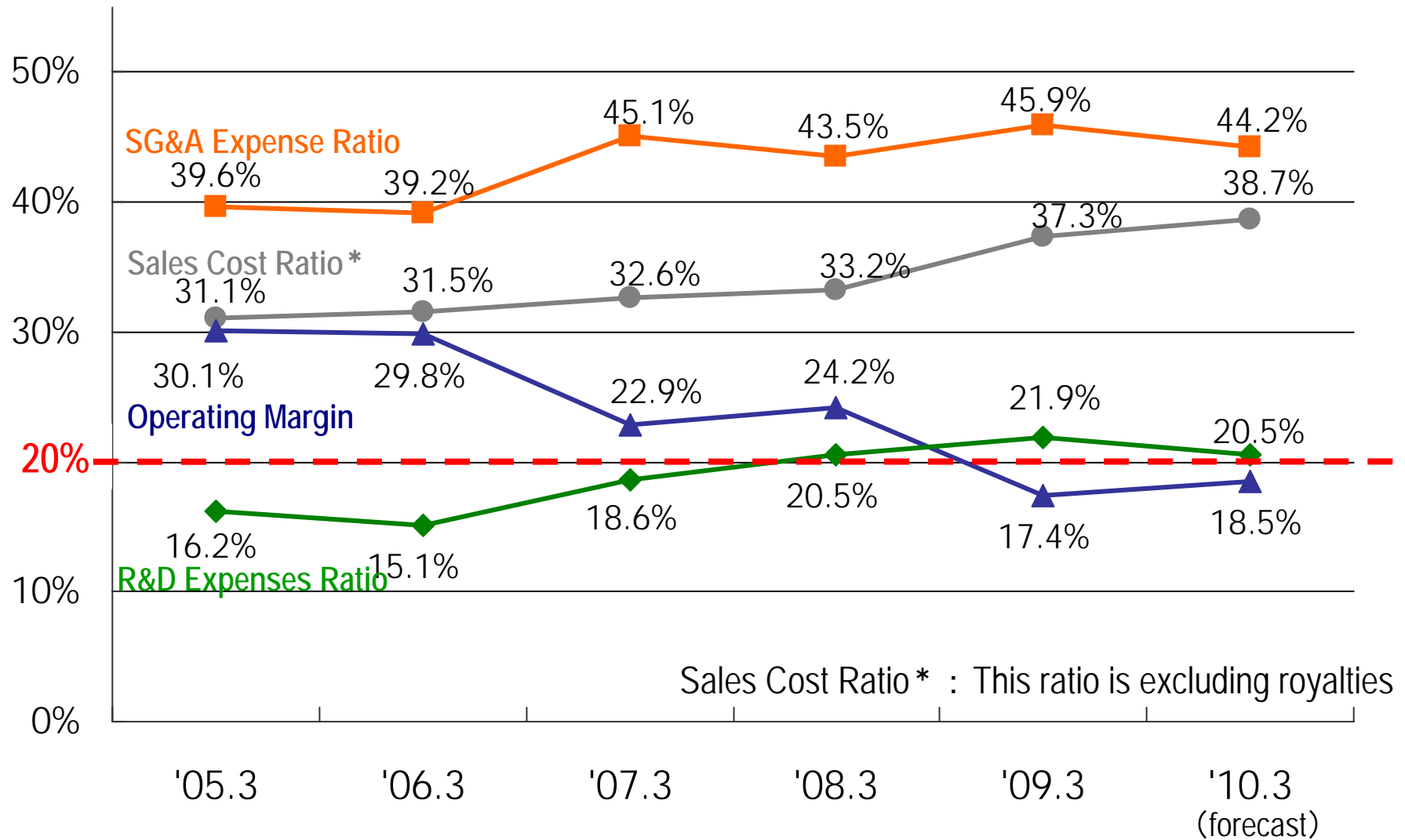
- Increased sales for both sodium hyaluronate and chondroitin sulfate anticipated

[Research reagents and diagnostics]

- Steady sales of endotoxin-detecting reagents expected to continue

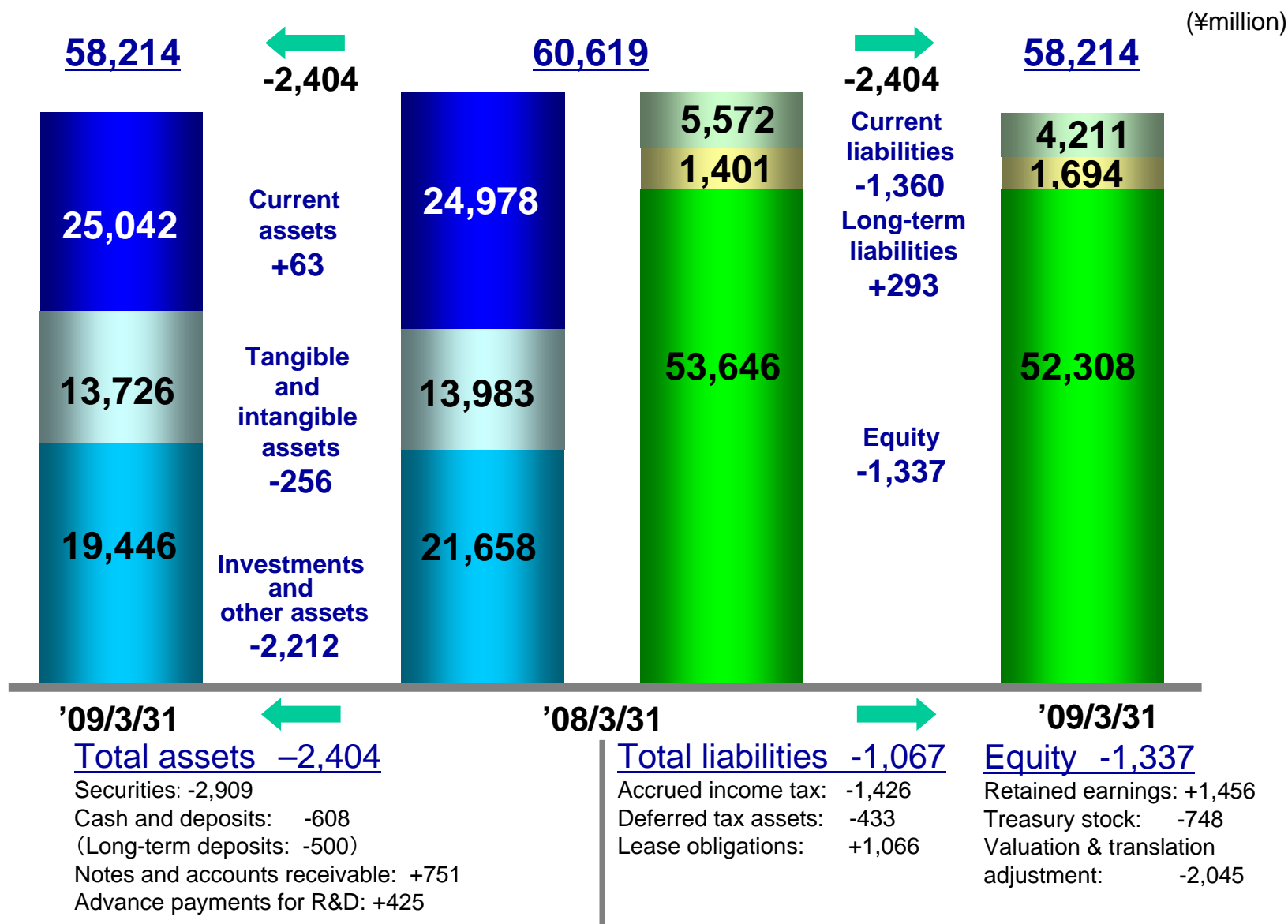


Trend in Financial Index





Factors Contributing to Changes in Balance Sheet





Development of Projects - 1

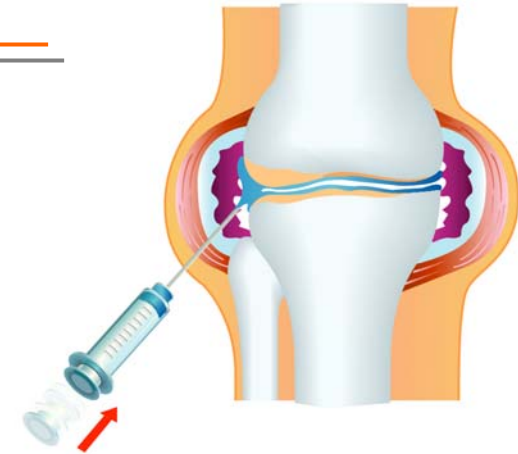
Gel-200 (cross-linked hyaluronate hydrogel)

- **Indication:** Knee osteoarthritis
- **Status:** Filed for approval(US)
- **Formulation:** Injectable solution (medical device)
- **Origin:** In-house
- **Profile:**

This is an injectable solution for the treatment of osteoarthritic knee joints. Its main ingredient is cross-linked hyaluronate hydrogel manufactured using an exclusive cross-linking technology. A single injection is expected to provide long-term pain relief, because the extremely high viscoelasticity of the solution allows it to remain in the knee-joint cavity for long periods of time.

- **Description:**

- # Phase III trials completed in U.S. in February 2008
- # Premarket approval application July 2008, and filed in August 2008
- # Clinical trial to support marketing has been completed. The data obtained indicate that repeat administration is safe.

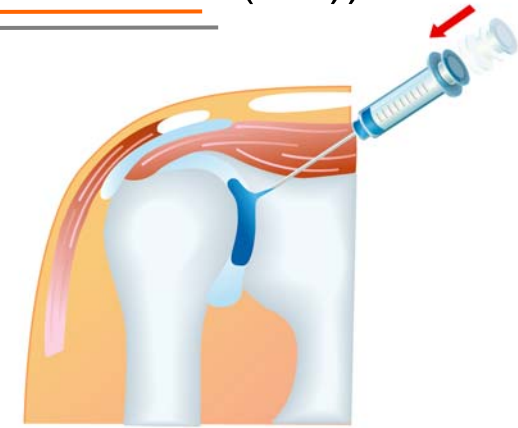




Development of Projects - 2

SI-602 (Hyaluronic acid/label extension addition for SUPARTZ (US))

- **Indication:** Shoulder osteoarthritis
- **Status:** Phase III (US)
- **Formulation:** Injectable solution (medical device)
- **Origin:** In-house



- **Profile:**

Shoulder osteoarthritis is a disease that causes degeneration, ablation, swelling, pain, and motor dysfunction of the joint cartilage, due to excessive burden over long periods, mainly on the shoulders. The superior viscoelasticity of hyaluronic acid is expected to protect joint cartilage, and improve lubricity. In Japan, ARTZ is approved for the treatment of shoulder periartthritis.

- **Description:**

Phase III trial completed, data collection and analysis in progress



Development of Projects - 3

SI-6603 (chondroitinase ABC)

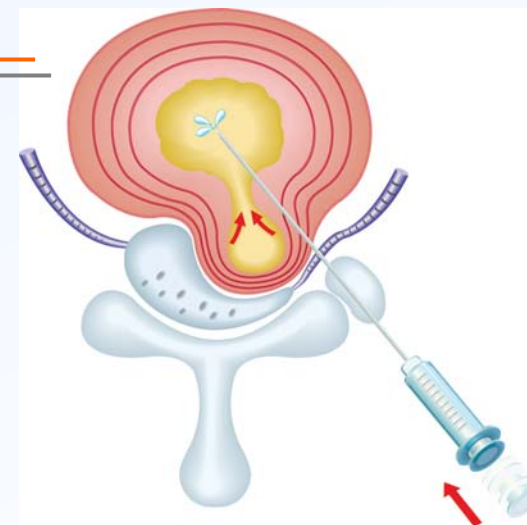
- **Indication:** Lumbar disk herniation
- **Status:** Phase II/III (Japan)
Phase II (US)
- **Formulation:** Injectable solution
- **Origin:** In-house

- **Profile:**

Chondroitinase ABC is a GAG-degrading enzyme produced from bacteria. It degrades chondroitin sulfate, a principal component of nucleus pulposus. A single injection of SI-6603 into a herniated lumbar disk is expected to provide efficacy similar to that of surgery.

- **Description:**

Administration to trialists in Japan and U.S.





Development of Projects - 4

SI-615 (Adenosine A3 receptor agonist)

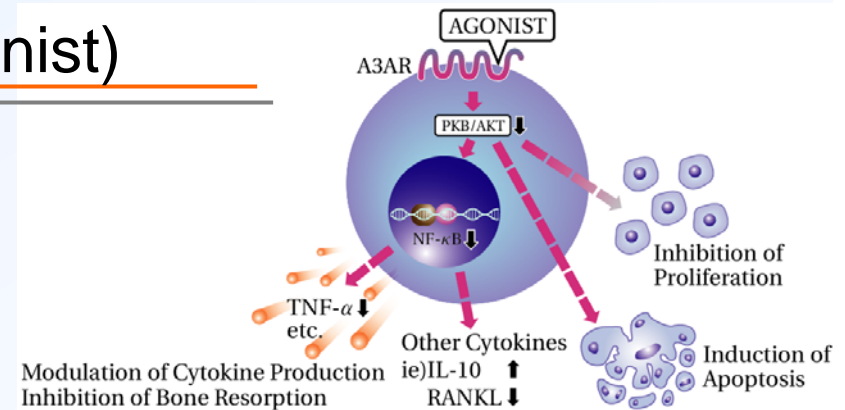
- **Indication:** Rheumatoid arthritis
- **Status:** Phase I (Japan)
- **Formulation:** Oral agent
- **Origin:** In-license from Can-Fite BioPharma Ltd.

■ Profile

Adenosine A3 receptor agonist selectively stimulates the adenosine A3 receptor, which is highly expressed in inflamed sites. It is thought to suppress cellular signal transduction, which contributes to inflammation, and the production of inflammatory cytokines. This receptor agonist is expected to become a highly safe anti-inflammatory agent that offers a new mechanism of action.

■ Description:

- # Phase I clinical trial starts in Japan in September 2008.
- # Results of Phase IIb trial (follow-up trial) carried out by CanFite in Europe and Israel announced on April 30, 2009 (superiority to placebo not found at primary endpoint)

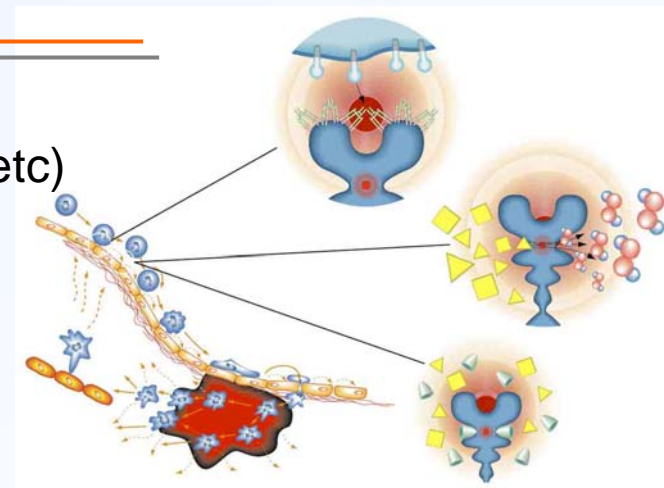




Development of Projects -5

SI-636 (Anti-Vap-1 antibodies)

- **Indication:** Inflammatory diseases (rheumatoid arthritis, psoriasis etc)
- **Status:** Pre-clinical (Japan)
- **Formulation:** Injectable solution
- **Origin:** In-license from BioTie Therapies Corp.



- **Profile:**

Anti-Vap-1 antibodies inhibit Vap-1, which is thought to cause inflammation by contributing to the accumulation of leukocytes and their invasion into the site of inflammation. Conventional anti-inflammatory agents suppress the generation or inhibit the action of inflammatory substances, while SI-3106 uniquely acts on the adhesion molecules controlling leukocyte movement.
- **Description:**

Phase Ib repeated dose study (RA patients) by BioTie in EU. (Announced by BioTie, February 17, 2009)

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