



Glycoscience for Human Well-being

Financial Results for the 1H of FY2009

(April 1, 2009-September 30, 2009)



SEIKAGAKU CORPORATION



Financial results for 1H FY2009 (Comparison with 1H FY2008 and initial forecast)

(Million of Yen)

	FY 2009 1H Results	FY 2008 1H Results	vs. Previous Period	Initial Forecast for 1H	vs. Initial Forecast for 1H
Net Sales	13,965	13,348	+617 (+4.6%)	14,400	-434 (-3.0%)
Operating Income	2,862	3,033	-170 (-5.6%)	2,400	+462 (+19.3%)
Ordinary Income	2,790	3,373	-582 (-17.3%)	2,500	+290 (+11.6%)
Net Income	1,894	2,104	-210 (-10.0%)	1,600	+294 (+18.4%)
Net Income per Share	¥33.35	¥36.81	-¥3.46	¥28.06	+¥5.29

Average exchange rate
for period (1US\$)

¥95.48

¥106.11

¥96.00
(Forecast)



Factors Influencing Business Results for 1H FY2009

(Comparison with 1H FY2008)

(Million of Yen)

Net sales: ¥13,965 million (+617 / +4.6%)

[Pharmaceuticals (+494)]

Japan (+682) Sustained growth in sales of both ARTZ and OPEGAN

Overseas (-188) U.S.: Unit growth in local sales. Seikagaku exports reduced by the high yen, etc

China: Steady increased in local sales. Seikagaku exports reduced by timing differences.

[Research Reagents & Diagnostics (-228)] Overseas sales down because of the high yen, etc.

[Bulk Products (+85)] Increase in sales of hyaluronic acid

[Other Products (+265)] Transient royalty income

Operating income : ¥2,862 million (-170 / -5.6%)

[Cost of sales (+697)] Depreciation of No.4 Production Building, volume growth in pharmaceutical sales in Japan, etc.

Cost of sales ratio (excluding royalties): 37.5% (+4.3 points)

[SG&A expenses (+90)] R&D expenses: +167 (Clinical trial costs for additional indications for SPARTZ, labor costs, etc.)

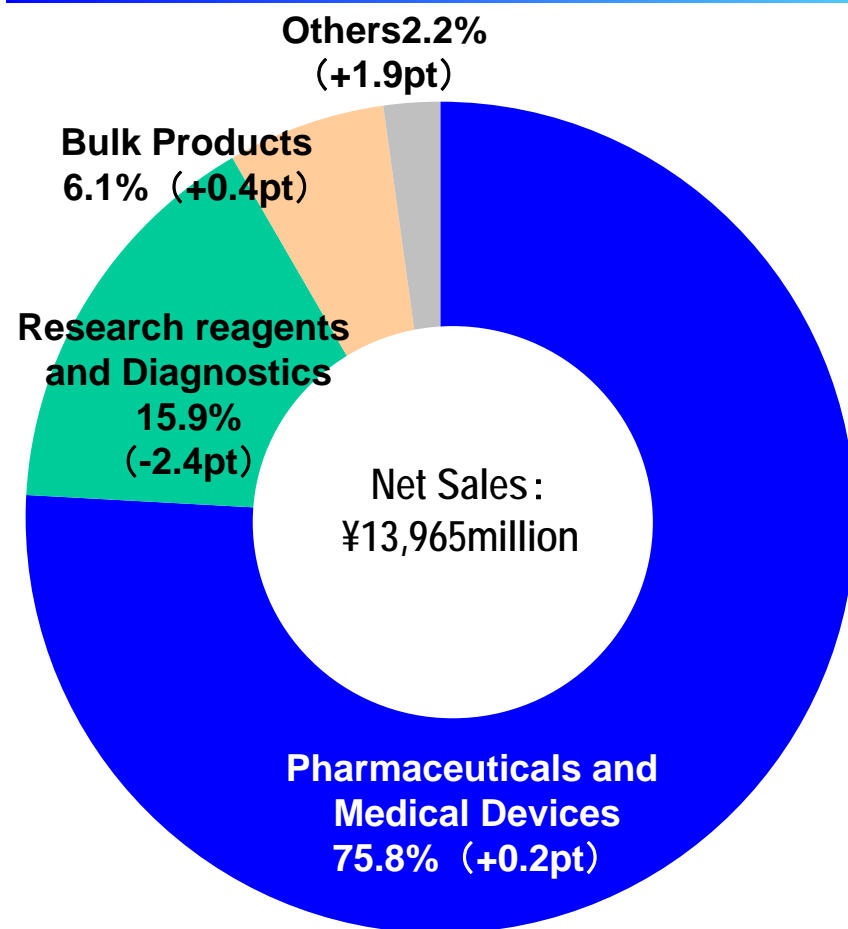
1H Net income: ¥1,894 million (-210 / -10.0%)

[Foreign exchange loss (-398)] Translation adjustments on foreign currency-denominated bonds, etc. (1H FY2008: gain, 1H FY2009: loss)

[Extraordinary losses (-145)] None in 1H

[Income taxes (-227)] Due to lower pre-tax income, etc

Net Sales by Business Segment



(Million of Yen)

Segment	Net Sales	vs. Previous Year	Change
Domestic Pharmaceuticals	8,668	+682	+8.6%
Overseas Pharmaceuticals	1,914	-188	-9.0%
Research reagents and Diagnostics	2,219	-228	-9.3%
Bulk Products	851	+85	+11.2%
Others	311	+265	+580.3%
Total	13,965	+617	+4.6%
(Overseas Sales)	3,424	-212	-5.9%



0%

25%

50%

75%

100%



Factors for Changes from Initial Forecast for 1H FY2009

(Million of Yen)

Net sales: ¥13,965 million (-434 / -3.0%)

- Timing difference—some ARTZ shipments shifted to 3Q.
- Overseas sales of research reagents and diagnostics lower than initial forecast because of impact of economic recession in the U.S.

Operating income: ¥2,862 million (+462 / +19.3%)

Lower SG&A expenses—

R&D expenses: -296; forecast: 3,000 → actual: 2,703

Other costs also reduced

1H Net income: ¥1,894 million (+294 / +18.4%)

Increase in non-operating expenses—Higher foreign exchange losses
(assumed: ¥96.00/US\$ → actual: ¥90.21/US\$)

Increase in income taxes—Increase in pre-tax income

Overview of Forecast for FY2009 (year-on-year)

(Million of Yen)

	'10/3 Revised forecast	'10/3 Initial forecast	vs. Initial forecast	'09/3 Results	vs. Previous Year
Net Sales	27,800	29,200	-1,400 (-4.8%)	27,207	+592 (+2.2%)
Operating Income	4,700	5,400	-700 (-13.0%)	4,729	-29 (-0.6%)
Ordinary Income	4,700	5,500	-800 (-14.5%)	5,094	-394 (-7.7%)
Net Income	3,200	3,700	-500 (-13.5%)	3,175	+24 (+0.8%)
Net Income per Share	¥56.33	¥64.89	-¥8.56	¥55.68	+¥0.65

Average exchange rate f
or period (1US\$)

¥91.00

¥96.00

¥100.54

(2nd half forecast) (Full year forecast)

(Full year result)



Factors for Changes from Initial Forecast for FY2009 (Comparison with initial forecast)

(Million of Yen)

Net sales: ¥27,800 million (-1,400 / -4.8%)

- Overseas sales of research reagents and diagnostics lower than initial forecast because of economic recession in U.S.
- Some royalties will be postponed until next year or later.
- Impact of the high yen

Operating income: ¥4,700 million (-700 / -13.0%)

Lower SG&A expenses—

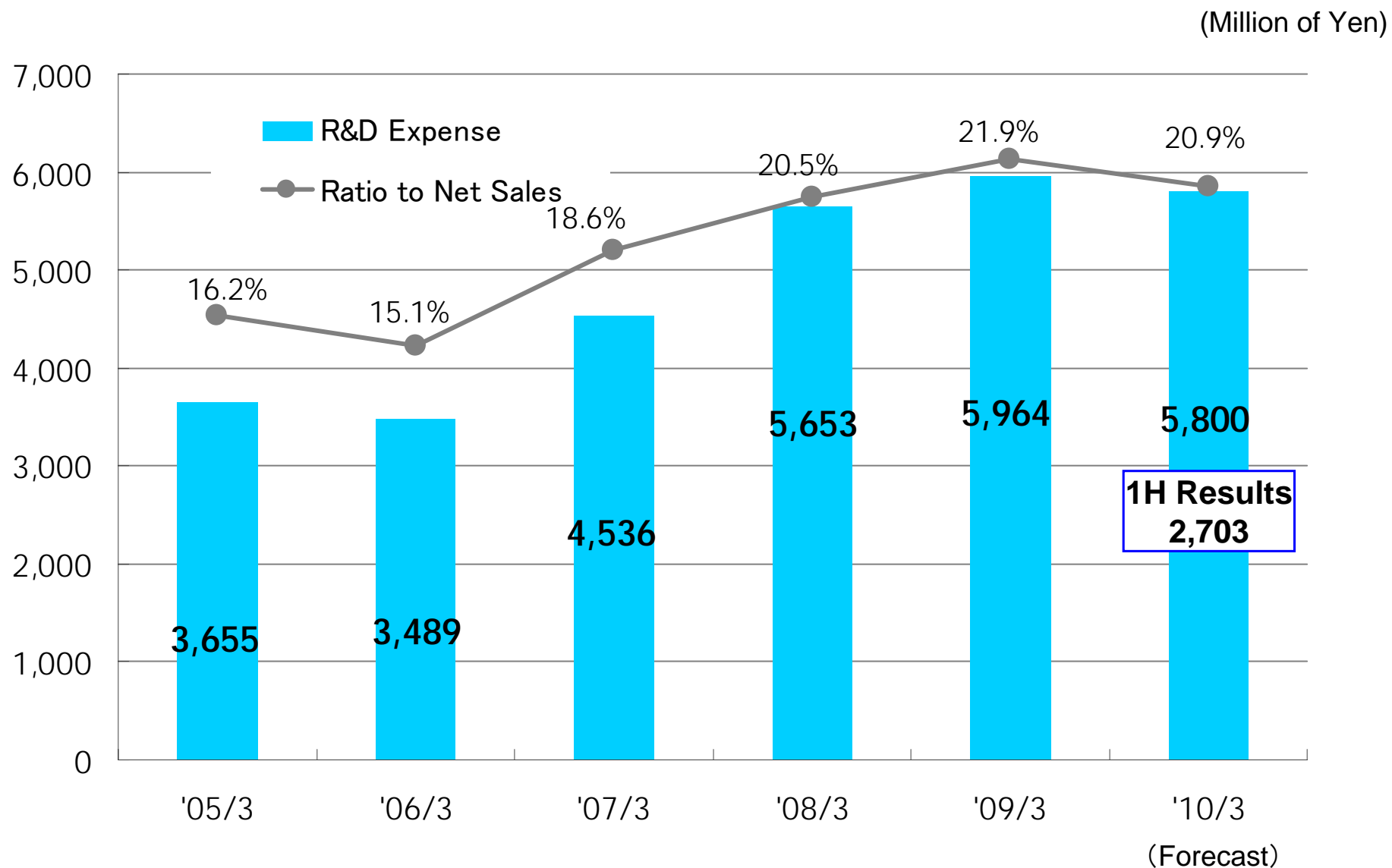
R&D expenses: -200; initial forecast: 6,000 → revised forecast: 5,800
Other costs also down.

Net income: ¥3,200 million (-500 / -13.5%)

Increase in non-operating expenses—Higher exchange losses
(forecasts for 2nd half based on ¥96.00/US\$ → revised to: ¥91.00 /US\$)

Reduced income taxes—Because of reduced pre-tax income

Trend in R&D Expense and Ratio to Net Sales



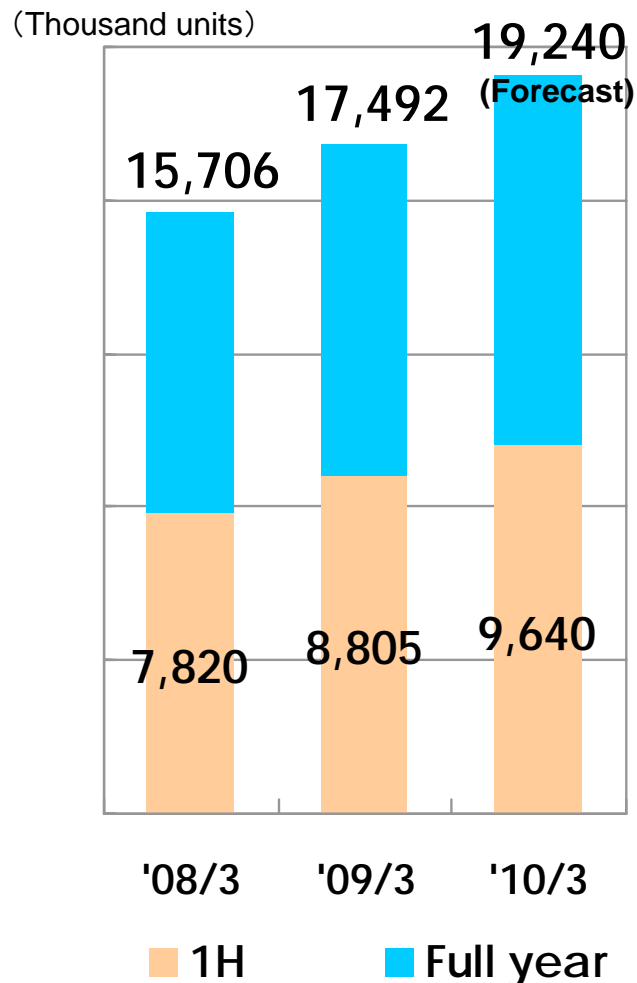
Sales of Core Products



Deliveries of ARTZ to Medical Institutions in Japan

ARTZ (domestic)

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



■ Results for 1st Half FY2009

<Market> +11.2%

- Growing population of aged people
- Continuing campaign to raise public awareness of diseases

<ARTZ> +9.5%

- Market growth reflected in volume increase in ARTZ sales

■ Forecasts for Full Year FY2009

<Market> +11.0%

- Continued steady expansion

<ARTZ> +10.0%

- Implementing measures to link higher consultation rate brought by public awareness campaign to an increase in the percentage of prescriptions for ARTZ

Expanding the Market and Increasing ARTZ Prescriptions



Encouraging sufferers to consult doctors about knee osteoarthritis

(Run in national morning edition of Yomiuri Shimbun, September, 2009)

<To raise consultation rate through public awareness campaign>

Regionally focused initiatives

Editorial advertising in five major regional newspapers in July–September

Nationwide initiatives

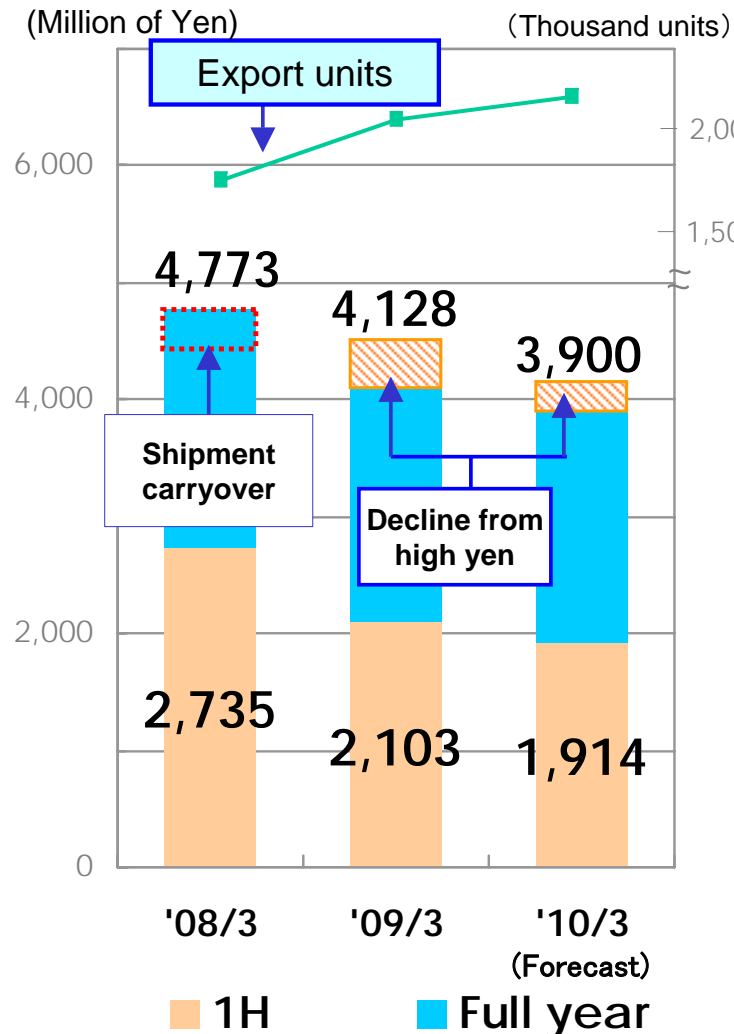
Full-page ads in national edition of Yomiuri Shimbun (September)

→ Approx. **5,000** requests for information by end of 2nd quarter.

- Approaches to medical institutions based on use of campaign materials
 - Reinforced marketing to non-orthopedic physicians
 - Improvement of product value (e.g., product enhancements to meet the needs of doctors)
- <To increase prescriptions of ARTZ >**

ARTZ Export Sales

ARTZ export sales



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

■ **Results for 1st Half FY2009: -9.0%**

<US> -7.3%

- **Local sales:**

Private sector insurance companies have tightened reimbursement rules. Local unit sales up by around 3%.

- **Seikagaku exports**

Shipment volumes increased, but sales were reduced by the high yen (-10%) and lower local selling prices.

<Other markets> -14.7%

Local sales in China rose steadily (up by more than 30%), but exports declined because of shipment timing differences.

■ **Forecasts for Full Year FY2009: -5.5%**

<US> -6.0%

- **Local sales:** Market conditions will remain difficult, but sales volumes will increase.


- **Seikagaku export sales:** Exports will increase in volume terms, but decline in value terms because of the high yen and lower local selling prices.

<Other markets> -3.9%

- The high yen will result in the same level of export sales as the previous year

- Local sales in China expected to be steady

Sales of Gel-200

-  **Profile of Zimmer, Inc.**
 - Leading company for orthopedic surgical products in the world
 - Top share for replacement knee joints in the U.S.
- **Expectations for sales of Gel-200**

Replacement knee joints and hyaluronic acid injections used in same therapy field
⇒ Can use same sales channel

Offer of Treatment Options

SUPARTZ
(Multiple injection)



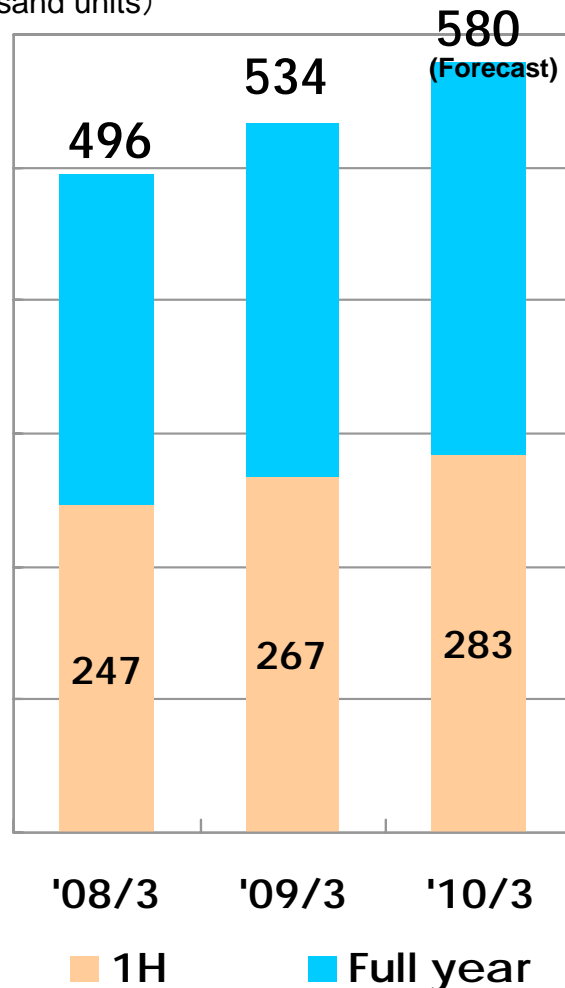
Gel-200
(Single injection)

Seikagaku products market share up

Deliveries of OPEGAN to Medical Institutions

OPEGAN

(Thousand units)



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

■ Results for 1st Half FY2009

<Market> +3.9%

- Increased number of cataract operations in step with growth of aged population

<OPEGAN> +6.2%

- Further expansion of market share

■ Forecasts for Full Year FY2009

<Market> +6.4%

- Market environment unchanged

<OPEGAN> + 8.4%

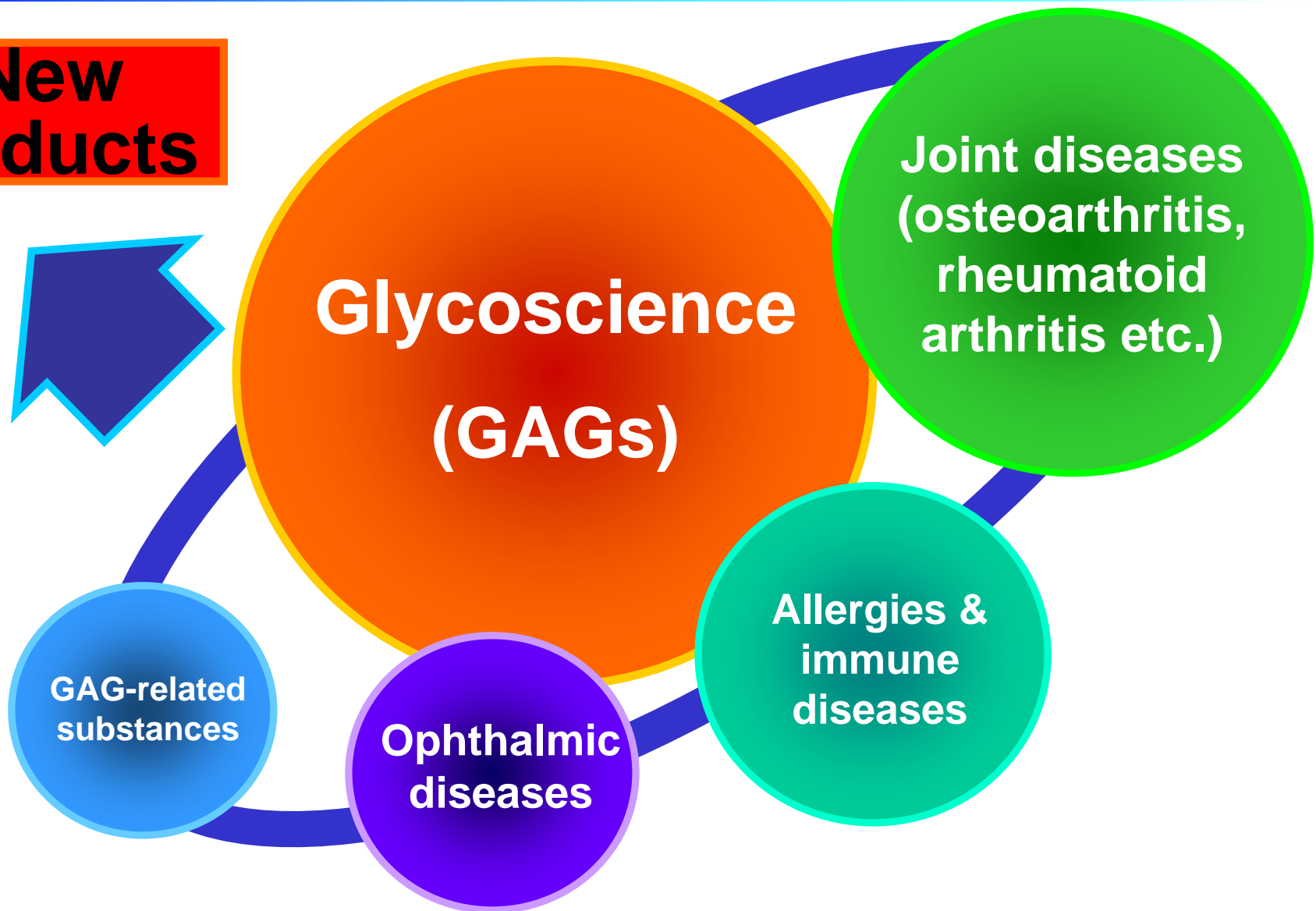
- We aim to maintain growth in excess of market expansion.

Current Status of the R&D Activities











Basic Policy of Research & Development

**New
Products**



* 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	Appli cation	Appr oval
Gel-200 Cross-linked hyaluronate hydrogel	Knee osteoarthritis	U.S.						
SI-602 Indication addition for SUPARTZ (U.S.)	Shoulder osteoarthritis	U.S.						
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						
	Ophthalmic 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.)

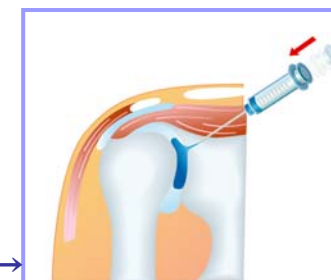
- ◆ **Indication: Knee osteoarthritis**
- ◆ **Status:** Application filed with FDA on July 31, 2008 (local time)
Responses already submitted to first questions from FDA
- ◆ **Clinical trial to support marketing:**
Completed. Data obtained showing safety of repeated treatment
- ◆ **Selection of sales partner:**
Exclusive distributorship agreement signed with Zimmer in the U.S.



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

SI-602 (additional indication of SUPARTZ): PMA filed (U.S.)

- ◆ **Indication: Shoulder osteoarthritis**
(Joint development with Smith & Nephew, Inc.)
- ◆ **Status:** Application filed with FDA on September 25, 2009 (local time)



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.)

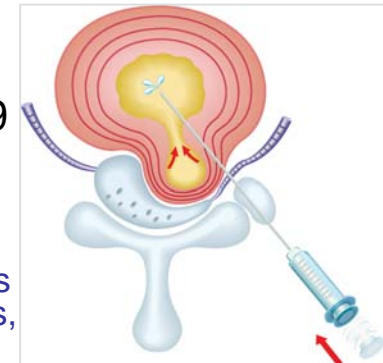
◆ Indication: Lumbar disc herniation

◆ Status:

PII/III in Japan: Target patient enrollment completed in August 2009
Post-administration monitoring now in progress

PII in the U.S.: Administration in progress

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



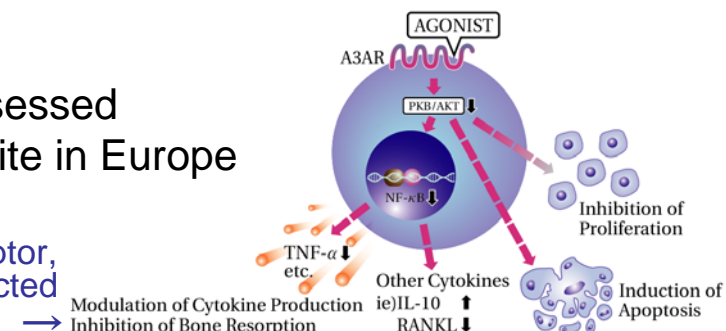
SI-615 (Adenosine A3 receptor agonist): PI (Japan)

◆ Indication: Rheumatoid arthritis

◆ Status: PI single-dose testing completed

Future development policy now being assessed using data from PIIb conducted by Can-Fite in Europe

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



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 FY2009

Annual ¥25.00 (interim ¥12.50)

Dividend payout ratio 44.4%

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



Ten-Year Vision and Mid-term Plan

the Seikagaku Corporation Ten-Year Vision

“ Global Category Pharma ”

- Converge major R&D resources on Glycoscience
- 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

Foster the basic corporate strength and develop the core systems essential to realization of the Ten-Year Vision

Theme GPS (Global, Powerful, Sustainable)

Accurately assess the current position and move toward future through powerful and sustainable action in the right direction

Appendix

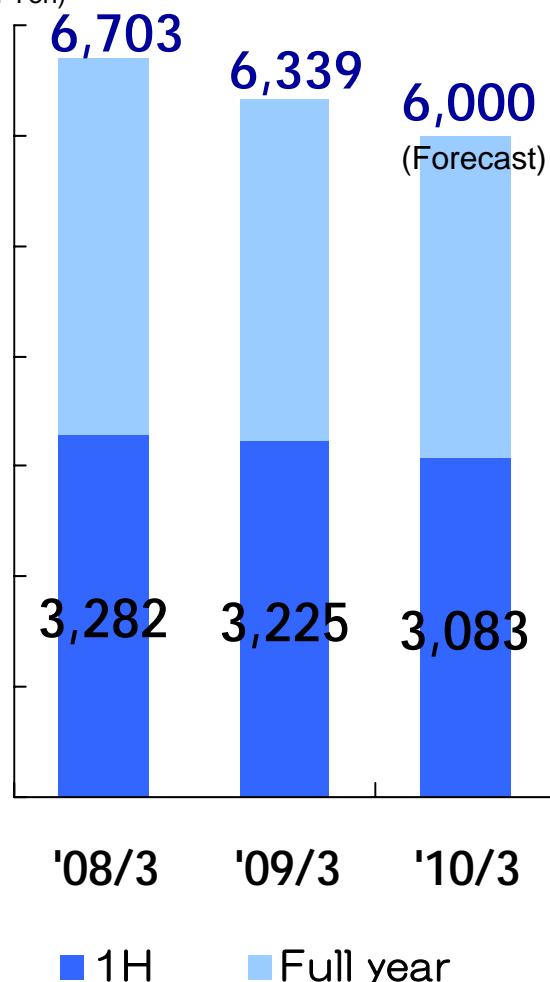


Sales of Fine Chemicals

Fine chemicals

(Sales value, year-on-year change)

(Million of Yen)



■ Results for 1st Half FY2009: -4.4%

[Bulk products] +11.2%

Hyaluronic acid sales grew to meet strong demand for customer's pharmaceutical end-products.

[Research reagents and diagnostics] -9.3%

Strong domestic sales of endotoxin-detecting reagents for use in quality control, but overseas sales lower because of the high yen, etc.

■ Forecasts for Full Year FY2009: -5.4%

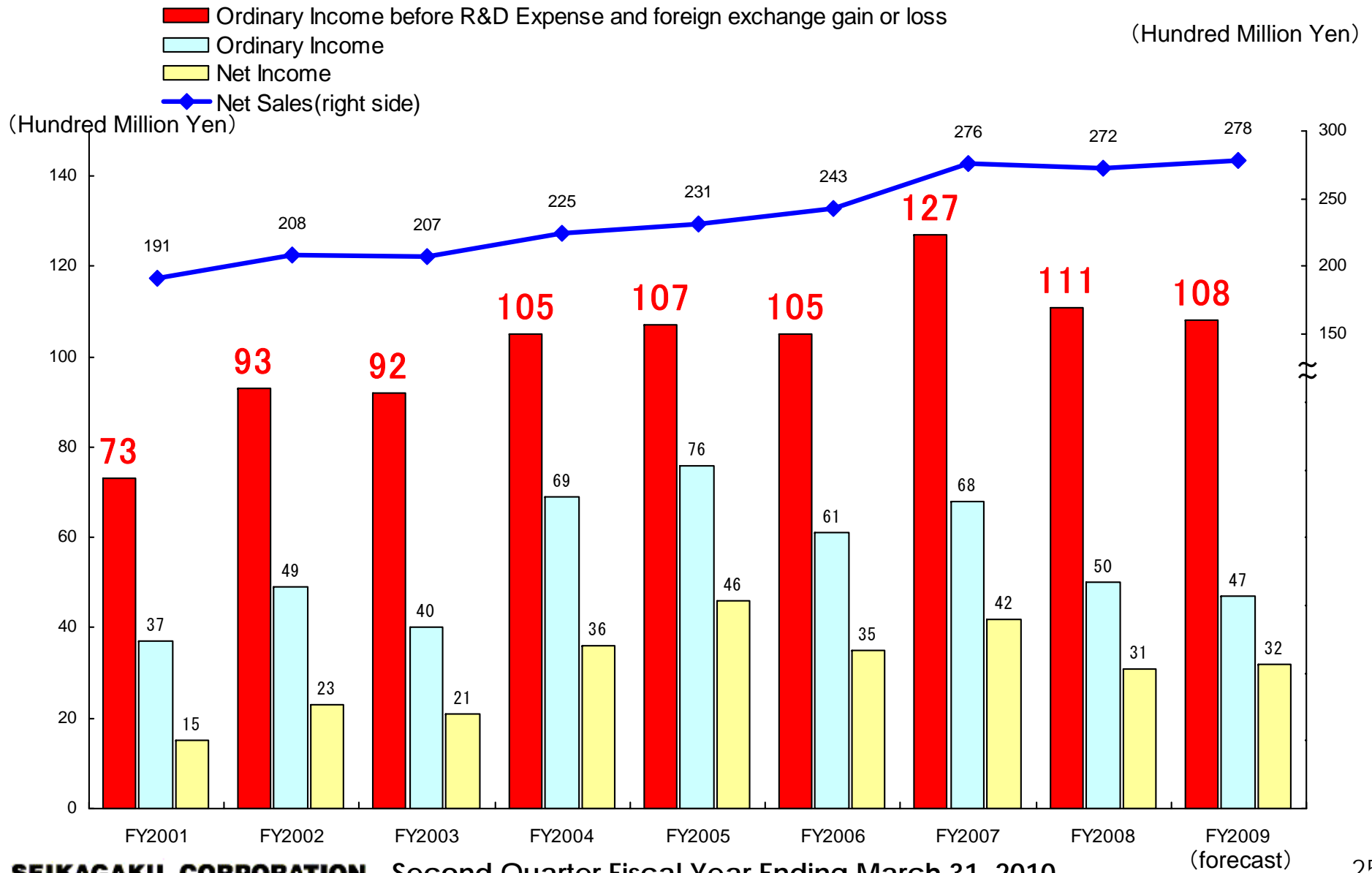
[Bulk products] +13.9%

Continuing steady growth in sales of hyaluronic acid

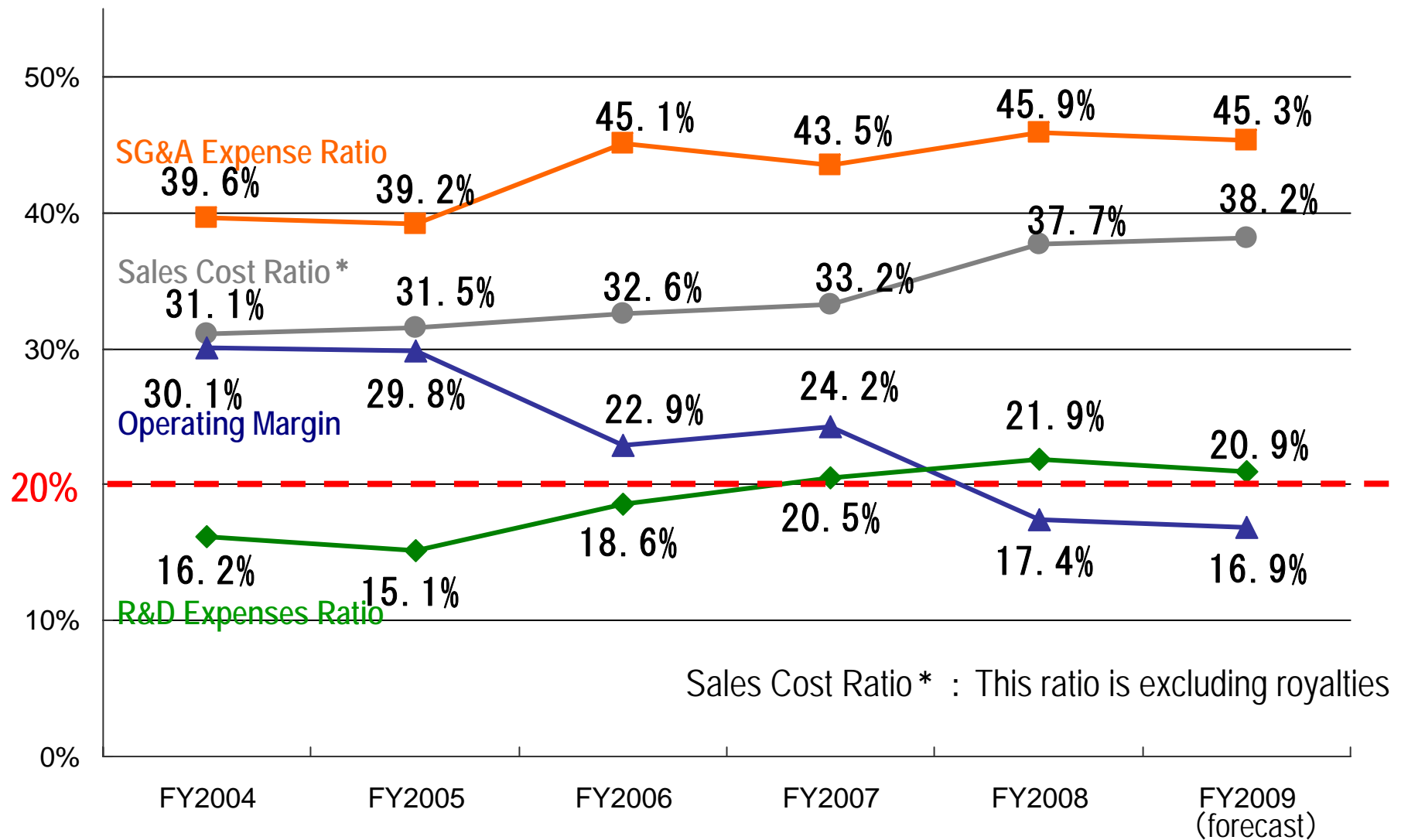
[Research reagents and diagnostics] -10.9%

Overseas sales of endotoxin-detecting reagents lower because of economic recession in the U.S.

Trend in Financial Results

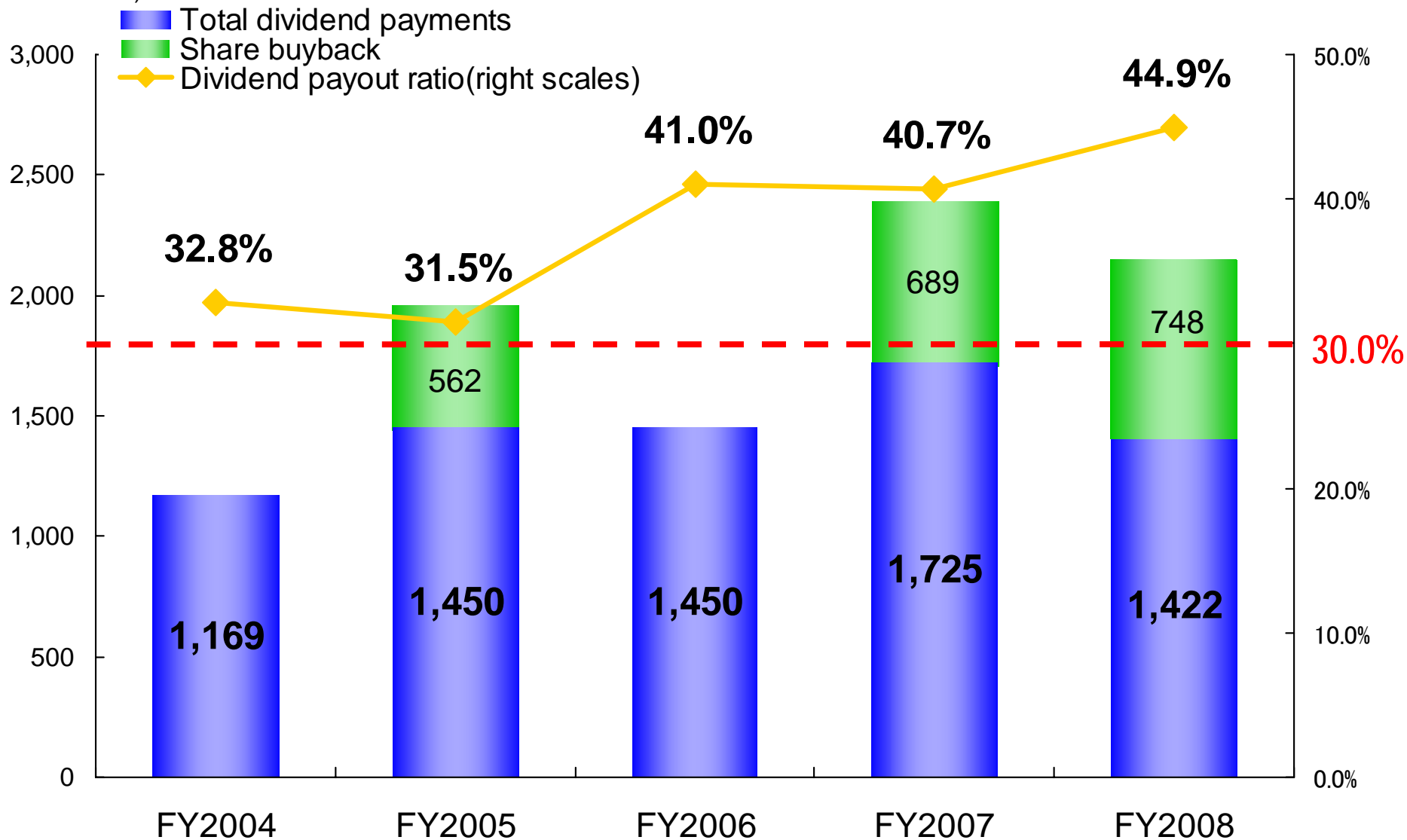


Trend in Financial Index



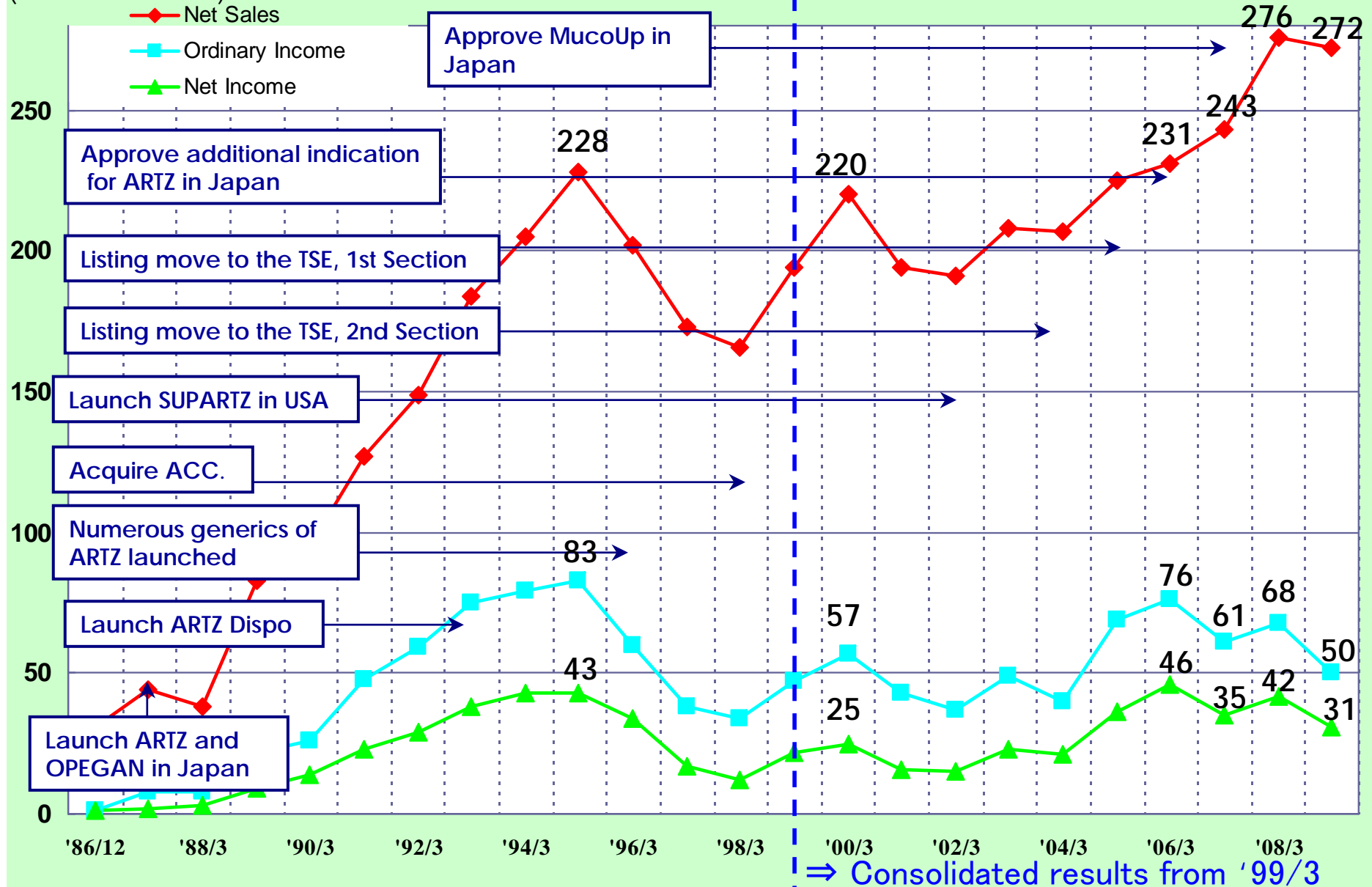
Trend in Dividend and Share Buyback

(Million of Yen)



Business Progress & Highlights

(Hundred Million Yen)



Financial Target of Mid-term Plan

- R&D expenses ratio to sales: 20% or over
invest ¥6.0bil - ¥6.3bil annually
- Depreciation of new facility beginning in FY2008
- 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)

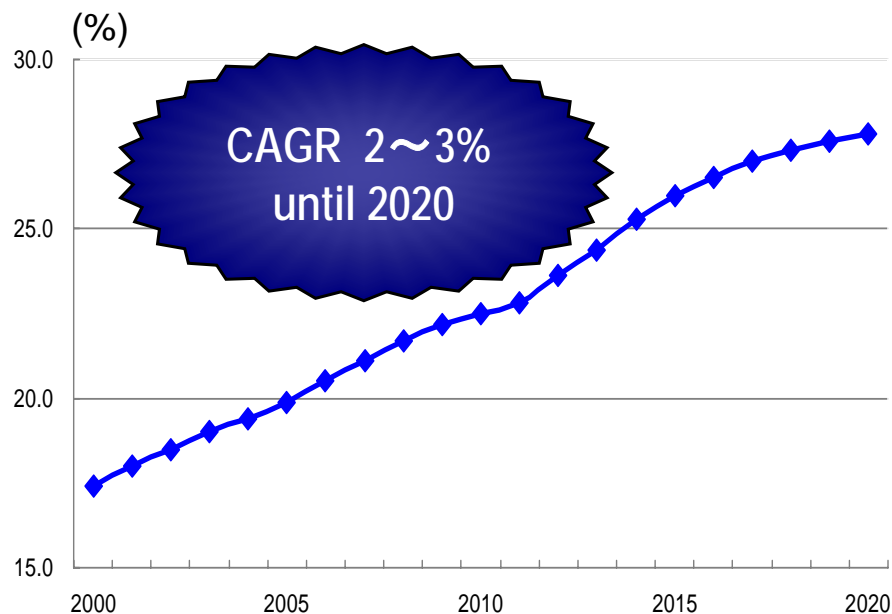
Toward Long-term Growth

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

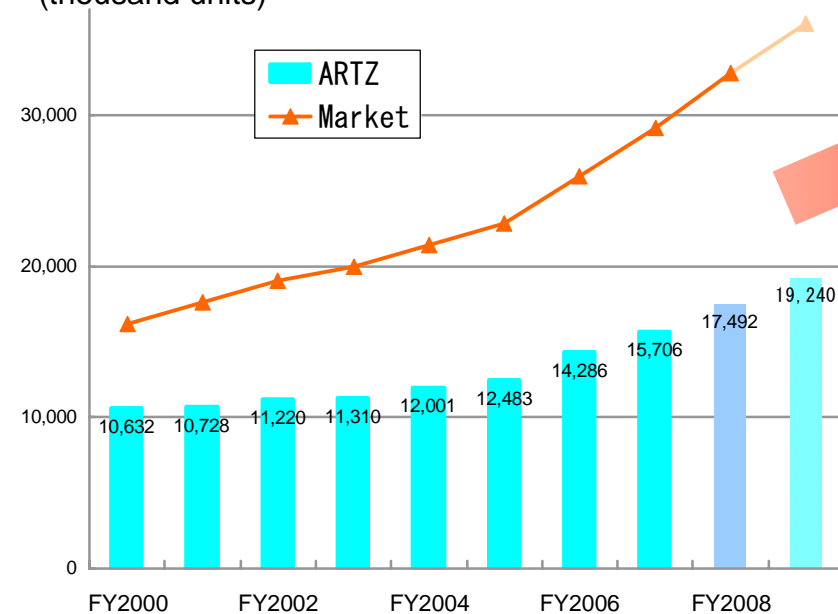
Expanding Market of ARTZ in Japan

- Japanese knee osteoarthritis (OA) market continues to grow due to aging population
- There are 24 million latent patients with knee OA, whereas patients under treatment are 8.2 million (Survey conducted by Tokyo University)

■ Growing Elderly Population (65 or over) (Source: Ministry of Internal Affairs and Communications)

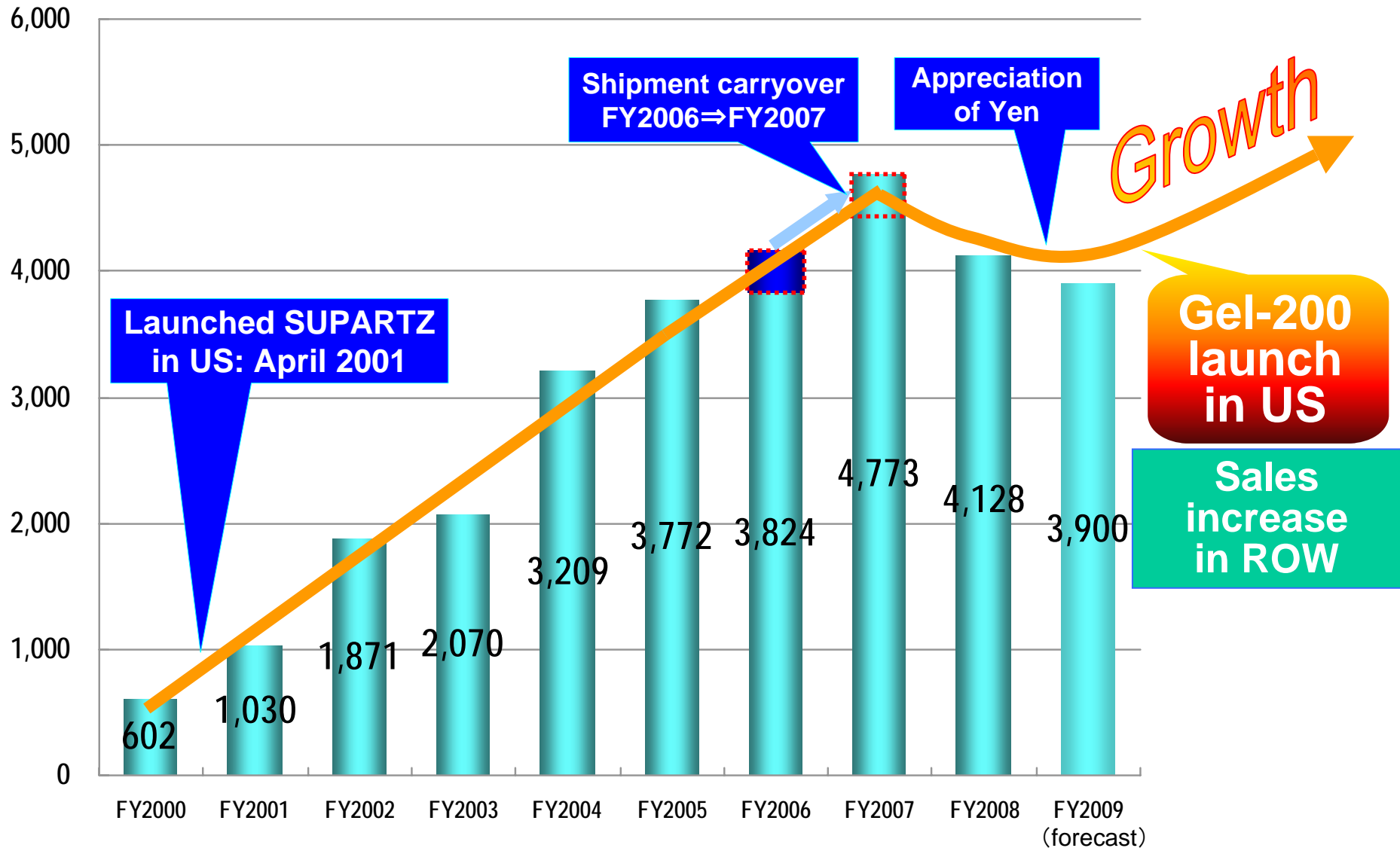


■ Deliveries of ARTZ to Medical Institutions (Japan) (thousand units)



Growth of Hyaluronic Acid Products in Overseas Market

(Million of Yen)



Development of Projects - 1

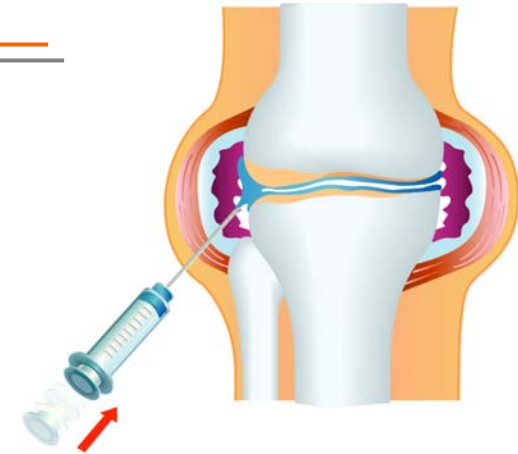
Gel-200 (cross-linked hyaluronate hydrogel)

- **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:**

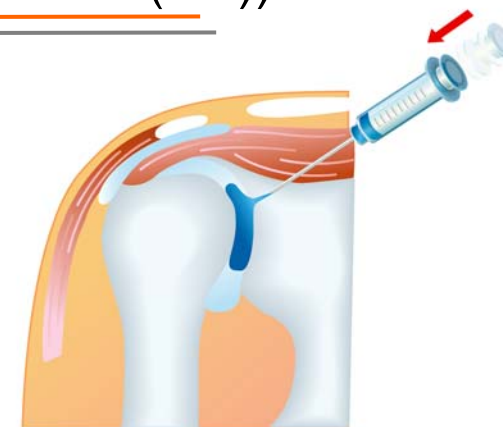
- # Premarket approval application in July 2008
- # Clinical trial to support marketing has been completed. The data obtained indicate that repeat administration is safe.



Development of Projects -2

SI-602 (Hyaluronic acid/additional indication for SUPARTZ (US))

- **Indication:** Shoulder osteoarthritis
- **Status:** Filed for approval(US)
- **Formulation:** Injectable solution (medical device)
- **Origin:** Collaborative development (S&N)



- **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:**

Premarket approval application in September 25, 2009 (local time)

Development of Projects - 3

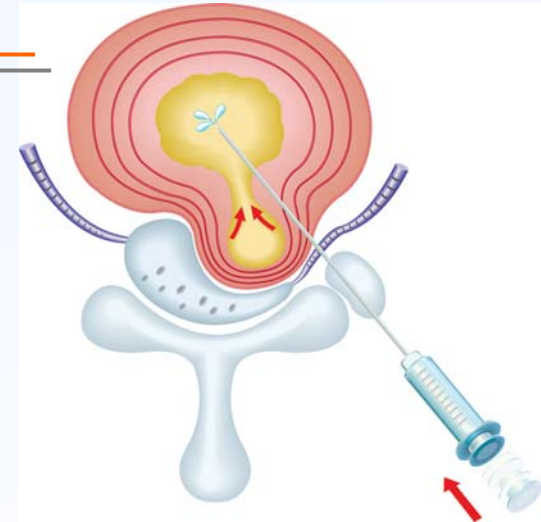
SI-6603 (chondroitinase ABC)

- 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:

Patient enrollment in the Japanese study was completed in August 2009.



Development of Projects - 4

SI-615 (Adenosine A3 receptor agonist)

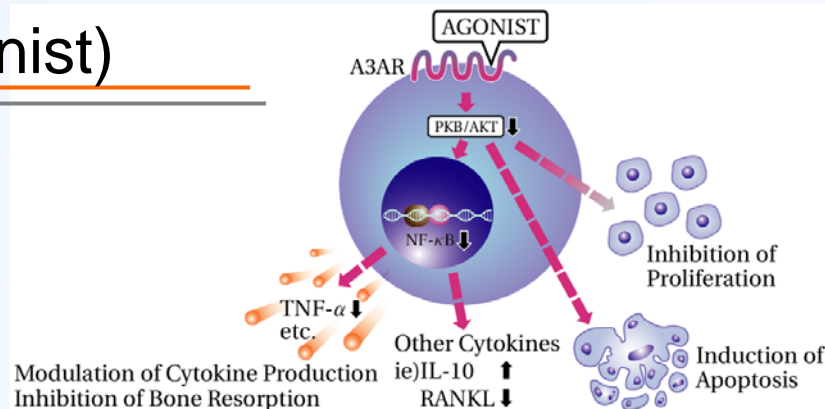
- **Indication:** Rheumatoid arthritis
- **Status:** Phase I (Japan)
- **Formulation:** Oral agent
- **Origin:** In-license from Can-Fite BioPharma Ltd.

■ 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 in Japan ended (started 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)

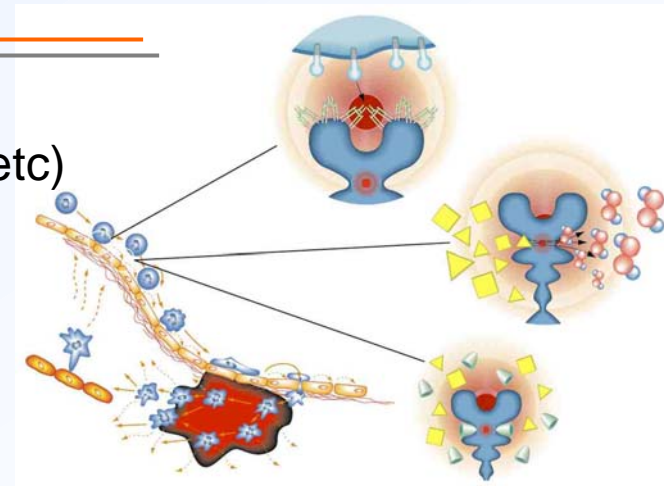
- **Indication:** Inflammatory diseases (rheumatoid arthritis, psoriasis etc)
- **Status:** Pre-clinical (Japan)
- **Formulation:** Injectable solution
- **Origin:** In-license from BioTie Therapies Corp.

- **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)



• **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.

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