

November 6, 2013

**SEIKAGAKU CORPORATION**  
**Consolidated Financial Results (Japan GAAP) (Summary)**  
**for the First Six Months of Fiscal 2013**  
**(Six-Month Period Ended September 30, 2013)**

Listed exchanges: Tokyo Stock Exchange (First Section)

Stock code number: 4548

URL: <http://www.seikagaku.co.jp/english/>

Scheduled date to commence dividend payment: December 3, 2013

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

**1. Consolidated Financial Results for the First Six-Months of Fiscal 2013**

(from April 1, 2013 to September 30, 2013)

**(1) Consolidated Financial Results**

(Percentages indicate changes over the same period in the previous fiscal year)

	Net sales		Operating income		Ordinary income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
First six months of fiscal 2013	15,405	16.4	3,488	163.3	3,783	112.4
First six months of fiscal 2012	13,239	(4.0)	1,324	(58.8)	1,781	(44.1)

	Net income		Net income per share	Diluted net income per share
	Millions of Yen	%	Yen	Yen
First six months of fiscal 2013	3,118	146.3	54.90	-
First six months of fiscal 2012	1,266	(40.0)	22.29	-

(Note) Comprehensive income:

First six months of fiscal 2013: 3,373 million yen [233.8%]

First six months of fiscal 2012: 1,010 million yen [(46.6%)]

**(2) Consolidated Financial Position**

	Total assets	Total equity	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2013	72,934	63,979	87.7
As of March 31, 2013	70,471	61,316	87.0

(Reference) Shareholders' equity:

As of September 30, 2013: 63,979 million yen

As of March 31, 2013: 61,316 million yen

**2. Dividends**

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2012	-	12.50	-	12.50	25.00
Fiscal 2013	-	13.00	-	-	-
Fiscal 2013 (Forecast)	-	-	-	13.00	26.00

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

**3. Forecast of Consolidated Financial Results for Fiscal 2013** (from April 1, 2013 to March 31, 2014)  
(Percentages indicate changes over the previous 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
Fiscal 2013	30,200	13.4	4,800	53.5	5,500	27.8	4,450	36.6	78.34

(Note) Revision to the nearest consolidated results forecast for fiscal 2013: 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: Yes
- (c) Changes in accounting estimates: Yes
- (d) Retrospective restatements: No

**(4) Number of shares issued (common stock):**

(a) Number of shares at the end of the period (including treasury stock)	As of September 30, 2013	58,584,093 shares	As of March 31, 2013	58,584,093 shares
(b) Number of treasury stock at the end of the period	As of September 30, 2013	1,777,937 shares	As of March 31, 2013	1,777,474 shares
(c) Average number of shares issued during the period (six months)	First Six Months of fiscal 2013	56,806,360 shares	First Six Months of fiscal 2012	56,807,176 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 Fiscal 2013**

### **(1) Qualitative information on quarterly financial results**

#### **Consolidated operating results**

In the first six months (April 1 to September 30, 2013) of the fiscal year ending March 31, 2014 (fiscal 2013), net sales rose 16.4% to ¥15,405 million. The sales increase is attributable to higher sales volumes of overseas pharmaceuticals, notably Gel-One, a single-injection injectable treatment for osteoarthritis pain of the knee, and the impact of yen depreciation.

On the earnings front, operating income rose 163.3% year on year to ¥3,488 million, reflecting the sales increase and a decrease in SG&A expenses centering on Gel-One lawsuit expenses and lower R&D expenses. Ordinary income rose 112.4% to ¥3,783 million, reflecting profit-impacting factors such as the non-recurrence of royalty income recorded in the same period of the previous fiscal year, which offset a change to gain from loss on foreign exchange valuation of foreign currency-denominated financial assets and securities. Net income rose 146.3% to ¥3,118 million as a result of factors including the recording of an extraordinary gain on the sale of investment securities and a decrease in the income tax rate due to the continued application of preferential taxation following the designation of the Takahagi Plant as a special district for industrial revitalization, despite the recording of an extraordinary loss on costs associated with integration of the Kurihama Plant, etc. to improve business efficiency.

#### **Net sales by segment**

##### **Pharmaceuticals Business**

##### **-Domestic Pharmaceuticals (¥9,201 million, up 1.9% vs. the first six months of fiscal 2012)**

Efforts to increase sales of ARTZ, an injectable treatment for osteoarthritis pain of the knee, utilizing its brand reputation as an original drug resulted in increases in deliveries to medical institutions and market share. Although the Company's sales rose, as well, the rate of growth on deliveries to medical institutions declined due to the slowing of overall market growth.

Although deliveries to medical institutions of the ophthalmic surgery aid OPEGAN increased, market share declined amid continuing fierce competition. The Company's sales of OPEGAN rose, partly as a result of a rebound following a low level of shipments in the same period of fiscal 2012.

The Company's sales of MucoUp, a surgical aid for use in endoscopic mucosal resection, rose due to successful activities to increase penetration of endoscopic surgical techniques.

##### **-Overseas Pharmaceuticals (¥3,261 million, up 82.8% vs. the first six months of fiscal 2012)**

U.S. sales of SUPARTZ, the product name of ARTZ in the U.S., fell only slightly, as the impact of some insurance companies restricting reimbursement for products with multiple-injection formulations has nearly run its course. The Company's export sales to the U.S. rose due to factors including yen depreciation and an inventory build up by sales partner.

Sales of ARTZ in China continued to develop favorably, mainly among medical institutions in major cities,

on the basis of the product's excellent reputation for high quality and proven performance in many countries.

Measures to establish sales channels for Gel-One among major pharmaceutical distributors in the U.S. are progressing, and sales are increasing. The Company will continue activities to accelerate market penetration by increasing the number of insurance companies that provide reimbursement for Gel-One and increasing product awareness together with sales partner.

In October 2013 Genzyme Corporation filed an appeal to the United States Court of Appeals for the Federal Circuit of the ruling in the Gel-One patent infringement lawsuit on which Seikagaku prevailed in August 2012. Seikagaku will continue to take appropriate legal steps to defend Gel-One. Seikagaku expects the filing of the appeal to have nearly no impact on sales of Gel-One.

#### **-Bulk Products (¥852 million, up 34.0% vs. the first six months of fiscal 2012)**

Sales of bulk products increased as principally hyaluronic acid developed favorably.

As a result, overall sales of the pharmaceuticals business rose 16.3% from the first six months of fiscal 2012 to ¥13,315 million.

#### **LAL Business**

Net sales from the LAL business rose 17.0% compared with the same period of fiscal 2012 to ¥2,089 million as a result of a continuing increase in overseas sales of endotoxin-detecting reagents, etc. and the impact of yen depreciation.

#### **(2) Qualitative information on forecast of consolidated financial results**

Taking into account the first six month business results and present foreseeable factors, the Company has revised the forecast of consolidated financial results announced on May 10, 2013 for the fiscal year ending March 31, 2014 as follows.

Net sales are expected to slightly exceed the level of the initial forecast, with higher sales volumes for overseas pharmaceuticals and the impact of yen depreciation compensating for a decrease in sales of domestic pharmaceuticals. On the earnings front, operating income, ordinary income and net income have been revised upward from the initial forecast. Although depreciation increases because depreciation of new production facilities for Gel-One started earlier than the original plan, SG&A expenses centering on R&D expenses are expected to decrease, and an increase in foreign exchange gains on valuation of foreign currency-denominated financial assets and securities is forecast.

As a result of the above factors, the Company forecasts net sales of ¥30,200 million (an increase of 1.0% from the initial forecast), operating income of ¥4,800 million (an increase of 5.5%), ordinary income of ¥5,500 million (an increase of 10.0%), and net income of ¥4,450 million (an increase of 9.9%). The forecast for R&D expenses is ¥6,900 million (a decrease of 2.1%), to result in a ratio of R&D expenses to net sales of 22.8%.

(Millions of Yen)

	Net sales	Operating income	Ordinary income	Net Income	Net income per share (Yen)
Initial Forecast (A)	29,900	4,550	5,000	4,050	71.29
Revised Forecast (B)	30,200	4,800	5,500	4,450	78.34
Difference (B - A)	300	250	500	400	-
Difference (%)	1.0	5.5	10.0	9.9	-
Prior-year Results (fiscal 2012)	26,639	3,126	4,302	3,256	57.33

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 ¥97 to the U.S. dollar from ¥ 95 of the initial forecast.

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