

November 8, 2016

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary)
for the First Six Months of Fiscal 2016
(Six-Month Period Ended September 30, 2016)

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 2, 2016

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

1. Consolidated Financial Results for the First Six Months of Fiscal 2016

(from April 1, 2016 to September 30, 2016)

(1) Consolidated Financial Results

(Percentages indicate changes from 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 2016	15,085	(5.4)	783	(61.8)	1,376	(46.5)
First six months of fiscal 2015	15,954	12.0	2,050	31.1	2,575	22.1

	Net income attributable to owners of parent		Net income per share	Diluted net income per share
	Millions of Yen	%	Yen	Yen
First six months of fiscal 2016	1,013	(47.8)	17.87	-
First six months of fiscal 2015	1,941	15.0	34.18	-

(Note) Comprehensive income:

First six months of fiscal 2016: (180) million yen [(-%)]

First six months of fiscal 2015: 2,869 million yen [17.2%]

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio
	Millions of Yen	Millions of Yen	%
As of September 30, 2016	77,906	68,563	88.0
As of March 31, 2016	80,218	69,815	87.0

(Reference) Shareholders' equity:

As of September 30, 2016: 68,563 million yen

As of March 31, 2016: 69,815 million yen

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2015	-	13.00	-	13.00	26.00
Fiscal 2016	-	13.00	-	-	-
Fiscal 2016 (Forecast)	-	-	-	13.00	26.00

(Note) Revision of the forecasts most recently announced: No

3. Forecast of Consolidated Financial Results for Fiscal 2016 (from April 1, 2016 to March 31, 2017)

(Percentages indicate changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Fiscal 2016	29,650	(4.2)	1,250	(41.7)	2,650	(24.3)	2,000	(22.4)	35.30

(Note) Revision of the forecasts most recently announced: Yes

* Notes

(1) Changes in the status of material subsidiaries during the period: No

(2) Application of specific accounting methods for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

(a) Changes in accounting policies 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)

(b) Number of treasury stock at the end of the period

(c) Average number of shares issued during the period (six months)

As of September 30, 2016	56,814,093 shares	As of March 31, 2016	58,584,093 shares
As of September 30, 2016	209,585 shares	As of March 31, 2016	1,779,510 shares
First six months of fiscal 2016	56,720,945 shares	First six months of fiscal 2015	56,804,888 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 Act. At the time when this quarterly summary was disclosed, the quarterly review procedures based on the Financial Instruments and Exchange Act had not been completed.

* Disclaimer regarding forward-looking information including appropriate use of forecasted financial results

The forecast 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 2016

(Six-Month Period Ended September 30, 2016)

(1) Qualitative explanation on quarterly financial results

In the first six months (April 1 to September 30, 2016) of the fiscal year ending March 31, 2017 (fiscal 2016), net sales fell 5.4% year on year to ¥15,085 million. The result is attributable to the impact of yen appreciation and National Health Insurance (NHI) drug price reductions in Japan, despite higher sales volumes of Gel-One in the U.S. and pharmaceuticals in Japan.

With regard to earnings, operating income fell 61.8% year on year to ¥783 million, reflecting an increase in the cost of sales ratio accompanying yen appreciation and NHI drug price reductions, and higher R&D expenses resulting from progress with the open-label trial for SI-6603, indicated for treatment of lumbar disc herniation in U.S. Ordinary income fell 46.5% year on year to ¥1,376 million and net income attributable to owners of the parent fell 47.8% year on year to ¥1,013 million, reflecting negative factors for a decrease in gain on sale of investment securities and a loss on valuation of foreign currency-denominated assets, despite positive factors for the recording of royalty income.

Net sales by segment

Pharmaceuticals Business

- Domestic Pharmaceuticals (¥8,518 million, down 2.2% year on year)

At a time of almost same level for market, deliveries to medical institutions of ARTZ, a joint function improving agent, slightly increased due to sales expansion activities by the sales partner accompanying the introduction of new syringes in April 2016. The Company's sales decreased as a result of the impact of NHI drug price reductions, despite a volume increase.

Deliveries to medical institutions of OPEGAN series, ophthalmic surgical aids, increased as SHELLGAN, launched in July 2016 for the purpose of strengthening product line for the OPEGAN series, got off to a favorable start. The Company's sales rose slightly as a result of a volume increase, which compensated for the impact of NHI drug price reductions.

The Company's sales of MucoUp, a surgical aid for endoscopic mucosal resection, increased, due in part to an inventory buildup accompanying a change in sales partner in April 2016.

- Overseas Pharmaceuticals (¥3,227 million, down 15.7% year on year)

U.S. sales of Gel-One, a single-injection joint function improving agent, showed solid growth. The Company's sales increased, with sales growth in the U.S. compensating for the impact of yen appreciation. Seikagaku will aim for further sales expansion by continuing to focus on activities to assist the sales partner.

U.S. sales of SUPARTZ FX, a 5-injection joint function improving agent, fell slightly as a result of continued fierce competition in the market for multiple injection products. The Company's sales to the U.S. declined, reflecting backlash against a high level of shipments in the first six months of fiscal 2015 and the impact of yen appreciation.

Sales of ARTZ in China (P.R.C.) continued to fall because of the government's price-curbing policy and other factors. The Company's sales decreased due to the impact of yen appreciation.

- Bulk Products (¥536 million, down 18.9% year on year)

Although sales of chondroitin sulfate were at the prior-year level, overall sales decreased, reflecting fierce competition in the market for hyaluronic acid.

As a result of these developments, sales from the pharmaceuticals business fell 7.0% year on year to ¥12,281 million.

LAL Business

Sales from the LAL business rose 1.8% year on year to ¥2,803 million as a result of higher domestic and overseas sales of endotoxin-detecting reagents and other products, despite the impact of yen appreciation on overseas sales.

(2) Explanation of forward-looking information, including the forecast of consolidated financial results

Taking into account the business results for the first six months and present foreseeable factors, the Company has revised the forecast of consolidated financial results for the fiscal year ending March 31, 2017 announced on May 12, 2016 as follows:

Net sales are expected to be at the same level of the previous forecast, with strong domestic sales of pharmaceuticals compensating for the impact of yen appreciation on overseas pharmaceutical sales and the LAL business. With regard to earnings, following a review of expenses, mainly R&D expenses, operating income is expected to exceed the previous forecast. On the other hand, ordinary income and net income attributable to owners of the parent are expected to fall short of the previous forecast due to a decrease in royalty income and higher foreign exchange evaluation losses.

Although the Company aimed to obtain approval in Japan for SI-6603, indicated for treatment of lumbar disc herniation, during the fiscal year ending March 31, 2017, the review response relating to product quality control is taking longer than expected, and it will be difficult to obtain approval during the current fiscal year. The Company will continue efforts to obtain approval.

The Company has entered into an exclusive distributorship agreement in the United States for VISCO-3, a hyaluronic acid based viscosupplement product which requires three injections for the treatment of knee osteoarthritis pain, with Zimmer Biomet Holdings, Inc.

(Millions of Yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previous Forecast (A)	29,550	1,000	3,350	2,550	45.00
Revised Forecast (B)	29,650	1,250	2,650	2,000	35.30
Difference (B - A)	100	250	(700)	(550)	-
Difference (%)	0.3	25.0	(20.9)	(21.6)	-
Prior-year Results (fiscal 2015)	30,962	2,144	3,500	2,578	45.39

Notes:

The exchange rate assumption used in the forecast of consolidated financial results for the third quarter onward has been changed from the previous rate of ¥110 to the U.S. dollar to ¥103.

The forecast for R&D expenses is ¥7,850 million (a decrease of 6.5% from the previous forecast), which would be a ratio of R&D expenses to net sales of 26.5%.

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