

November 6, 2012

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary)
for the First Six Months of Fiscal 2012 ending March 2013
(Six-Month Period Ended September 30, 2012)

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 2012

(from April 1, 2012 to September 30, 2012)

(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 2012 | 13,239 | (4.0) | 1,324 | (58.8) | 1,781 | (44.1) |
| First six months of fiscal 2011 | 13,795 | (0.6) | 3,213 | 78.6 | 3,183 | 85.4 |

| | Net income | | Net income per share | Diluted net income per share |
|---------------------------------|-----------------|--------|----------------------|------------------------------|
| | Millions of yen | % | Yen | Yen |
| First six months of fiscal 2012 | 1,266 | (40.0) | 22.29 | - |
| First six months of fiscal 2011 | 2,109 | 79.1 | 37.13 | - |

(Note) Comprehensive income:

First six months of fiscal 2012: ¥1,010 million (-46.6%)

First six months of fiscal 2011: ¥1,892 million (141.1%)

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2012 | 67,100 | 58,314 | 86.9 |
| As of March 31, 2012 | 68,730 | 58,013 | 84.4 |

(Reference) Shareholders' equity:

As of September 30, 2012: ¥58,314 million

As of March 31, 2012: ¥58,013 million

2. Dividends

| | Dividends per share | | | | |
|------------------------|---------------------|-------------|-------------|----------|--------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal 2011 | - | 12.50 | - | 12.50 | 25.00 |
| Fiscal 2012 | - | 12.50 | - | - | - |
| Fiscal 2012 (Forecast) | - | - | - | 12.50 | 25.00 |

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

3. Forecast of Consolidated Financial Results for Fiscal 2012 (from April 1, 2012 to March 31, 2013)
(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 2012 | 26,750 | (1.2) | 2,700 | (41.5) | 3,550 | (25.6) | 2,700 | (17.5) | 47.53 |

(Note) Revision to the nearest consolidated results forecast for fiscal 2012: 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: Yes
- (b) Changes other than those in (a) above: No
- (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, 2012 | 58,584,093 shares | As of March 31, 2012 | 58,584,093 shares |
| (b) Number of treasury stock at the end of the period | As of September 30, 2012 | 1,777,032 shares | As of March 31, 2012 | 1,776,833 shares |
| (c) Average number of shares issued during the period (six months) | First Six Months of fiscal 2012 | 56,807,176 shares | First Six Months of fiscal 2011 | 56,807,467 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 2012

(1) Qualitative information on quarterly financial results

Consolidated operating results

In the first six months (April 1 to September 30, 2012) of the fiscal year ending March 31, 2013 (fiscal 2012), net sales fell 4.0% to ¥13,239 million. The sales decrease is attributable to factors including NHI (National Health Insurance) drug price reductions and discontinuation of the research reagent business, despite higher sales volumes for ARTZ[®] in Japan and overseas pharmaceuticals.

On the earnings front, operating income fell 58.8% to ¥1,324 million as a result of an increase of ¥1,430 million in SG&A expenses centering on R&D expenses related to progress in development themes and Gel-One[®] lawsuit expenses. Ordinary income fell 44.1% to ¥1,781 million and net income fell 40.0% to ¥1,266 million as factors including an increase in non-operating income associated with the occurrence of royalty income mitigated the magnitude of the profit decline.

Net sales by segment

Pharmaceuticals Business

-Domestic Pharmaceuticals (¥9,032 million, down 3.2% vs. the first six months of fiscal 2011)

The market in Japan for injectable treatments for osteoarthritis pain of the knee continued to expand as a result of an increase in the aged population and the impact of disease awareness campaigns with regard to knee osteoarthritis conducted with sales partner Kaken Pharmaceutical Co., Ltd. Emphasis on 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, the Company's sales of ARTZ[®] fell slightly due to the impact of NHI drug price reductions.

Although deliveries to medical institutions of the ophthalmic surgery aid OPEGAN[®] increased as a result of sales promotion activities focused on target medical institutions conducted with sales partner Santen Pharmaceutical Co., Ltd. and a year-on-year increase in the number of cataract operations reflecting a decrease in the first six months of fiscal 2011 due to the earthquake disaster and power outages, market share decreased due to intensification of competition. The Company's sales of OPEGAN[®] fell as a result of the impact of NHI drug price reductions and inventory adjustments at the sales partner.

Sales of MucoUp[®], a surgical aid for use in endoscopic mucosal resection, rose due to activities to increase penetration of endoscopic surgical techniques conducted together with sales partner Johnson & Johnson K.K.

-Overseas Pharmaceuticals (¥1,783 million, up 8.1% vs. the first six months of fiscal 2011)

U.S. sales of SUPARTZ[®], the product name of ARTZ[®] in the U.S., increased slightly due to the implementation of sales strategies focused on differentiation from competitors despite the impact of a tightening of insurance reimbursements by some private insurance companies. The Company's export sales to the U.S. rose due to an inventory build-up implemented by the U.S. sales partner.

Sales of ARTZ[®] in China and the Company's export sales to China remained strong. ARTZ[®] enjoys an excellent reputation in China for its "high quality" and status as "a world-first original drug", mainly among medical institutions in major cities.

-Bulk Products (¥636 million, down 3.4% vs. the first six month of fiscal 2011)

Sales of bulk products fell on low demand for bulk chondroitin sulfate, notwithstanding an increase in sales of bulk hyaluronic acid reflecting lower shipments in the first six months of fiscal 2011 due to a timing difference.

As a result, overall sales from the pharmaceuticals business fell 1.6% from the first six months of fiscal 2011 to ¥11,453 million.

LAL Business

Although sales of endotoxin-detecting reagents were at the prior-year level, net sales of the LAL business fell 17.2% compared with the first-six month of fiscal 2011 to ¥1,785 million as a result of discontinuation of the research reagents business in March 2012.

Changes in Reporting Segments

The Company changed its reporting segments beginning in fiscal 2012 accompanying the discontinuation of the research reagents business and the absorption-type merger of Seikagaku Biobusiness Corporation (formerly a consolidated subsidiary). The previous fine chemicals segment, which consisted of “reagents and diagnostics” (endotoxin-detecting reagents and research reagents) and “bulk products,” has been eliminated. Bulk products have been included in the pharmaceuticals segment, and endotoxin-detecting reagents are reported as the LAL business. The details of net sales in each segment following the change are as follows.

-Pharmaceuticals Business

Domestic Pharmaceuticals: Sales related to the pharmaceuticals in the domestic market

Overseas Pharmaceuticals: Sales related to the pharmaceuticals export

Bulk products: Domestic and overseas sales related to bulk products and so on

-LAL Business

Sales related to endotoxin-detecting reagents

(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, 2013 announced on May 10, 2012 as follows.

Net sales are expected to be slightly higher than the initial forecast as inclusion in shipments of Gel-One[®] following the winning patent lawsuit in August of this year and an increase in export volumes to China compensate for the impact of yen appreciation and a decrease in sales of bulk products. The forecast for Gel-One[®] sales takes into account the fact that fiscal 2012 is taken up by preparation for full-scale release.

On the earnings front, operating income, ordinary income and net income have been revised upward from the level of the initial forecast due to factors including a decrease in SG&A expenses, such as Gel-One[®] lawsuit expenses, and an increase in non-operating income associated with the occurrence of royalty income.

As a result, the Company forecasts net sales of ¥26,750 million (an increase of 0.2% from the initial forecast), operating income of ¥2,700 million (an increase of 3.8%), ordinary income of ¥3,550 million (an increase of 14.5%), and net income of ¥2,700 million (an increase of 22.7%). The forecast for R&D expenses is unchanged at ¥6,700 million, resulting in a ratio of R&D expenses to net sales of 25.0%.

(Millions of yen)

| | Net sales | Operating income | Ordinary income | Net income | Net income per share (Yen) |
|----------------------------------|-----------|------------------|-----------------|------------|----------------------------|
| Initial Forecast (A) | 26,700 | 2,600 | 3,100 | 2,200 | 38.73 |
| Revised Forecast (B) | 26,750 | 2,700 | 3,550 | 2,700 | 47.53 |
| Difference (B - A) | 50 | 100 | 450 | 500 | - |
| Difference (%) | 0.2 | 3.8 | 14.5 | 22.7 | - |
| Prior-year Results (fiscal 2011) | 27,082 | 4,617 | 4,770 | 3,270 | 57.58 |

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 ¥78 to the U.S. dollar from ¥81 of the initial forecast.

#####