May 10, 2012

SEIKAGAKU CORPORATION
Consolidated Financial Results (Japan GAAP) (Summary) for the Fiscal 2011 (Year Ended March 31, 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 Fiscal 2011 (from April 1, 2011 to March 31, 2012)

(1) Consolidated Financial Results

(Percentages indicate changes from in the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2011	27,082	(0.1)	4,617	30.7	4,770	14.7	3,270	33.4
Fiscal 2010	27,117	(1.8)	3,533	(30.9)	4,159	(18.7)	2,451	(31.4)

Note: Comprehensive income:
Fiscal 2011: ¥3,327 million (58.3%)
Fiscal 2010: ¥2,101 million (-53.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income as a percentage of total assets	Operating income as a percentage of net sales
	Yen	Yen	%	%	%
Fiscal 2011	57.58	-	5.7	7.3	17.0
Fiscal 2010	43.16	-	4.4	6.6	13.0

Reference: Equity in earnings of subsidiaries and affiliates accounted for by the equity method:
Fiscal 2011: -
Fiscal 2010: -

(2) Consolidated Financial Position

	Total assets	Total equity	Equity ratio	Total equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2011	68,730	58,013	84.4%	1,021.24
Fiscal 2010	62,684	56,106	89.5%	987.67

Reference: Shareholders' equity:
Fiscal 2011: ¥58,013 million
Fiscal 2010: ¥56,106 million

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2011	5,542	(488)	(1,647)	11,043
Fiscal 2010	4,819	(4,658)	(1,653)	7,692

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2010	-	12.50	-	12.50	25.00
Fiscal 2011	-	12.50		12.50	25.00
Fiscal 2012 (Forecast)		12.50	-	12.50	25.00

	Total dividend payments (Annual)	Dividend payout ratio (Consolidated)	Dividends as a percentage of total equity (Consolidated)
	Millions of yen	%	%
Fiscal 2010	1,420	57.9	2.5
Fiscal 2011	1,420	43.4	2.5
Fiscal 2012 (Forecast)		64.6	

3. Forecast of Consolidated Financial Results for Fiscal 2012 (from April 1, 2012 to March 31, 2013)

(Percentages indicate changes from in the prior 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
First six-month of Fiscal 2012	13,200	(4.3)	1,100	(65.8)	1,200	(62.3)	800	(62.1)	14.08
Fiscal 2012	26,700	(1.4)	2,600	(43.7)	3,100	(35.0)	2,200	(32.7)	38.73

* Others

(1) Changes in the state of material subsidiaries during the period under review: No

(2) 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: No
(c) Changes in accounting estimates: No
(d) Retrospective restatements: No

(3) Number of shares issued (common stock)

(a)Number of shares at the end of the period (including treasury stock)	As of March 31, 2012	58,584,093 shares	As of March 31, 2011	58,584,093 shares
(b) Number of treasury stock at the end of the period	As of March 31, 2012	1,776,833 shares	As of March 31, 2011	1,776,565 shares
(c) Average number of shares issued during the period	As of March 31, 2012	56,807,402 shares	As of March 31, 2011	56,807,663 shares

(Reference) Non-Consolidated Financial Results

Non-Consolidated Financial Results for Fiscal 2011 (from April 1, 2011 to March 31, 2012)

(1) Non-Consolidated Financial Results

(Percentages indicate changes from in the prior fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of Yen	%
Fiscal 2011	22,628	1.4	3,325	40.7	3,501	(3.0)	2,429	27.9
Fiscal 2010	22,309	(0.9)	2,370	(37.9)	3,609	(17.9)	1,899	(41.3)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal 2011	42.77	-
Fiscal 2010	33.44	-

(2) Non-Consolidated Financial Position

	Total assets	Total equity	Total equity ratio	Total equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2011	69,524	57,682	83.0	1,015.41
Fiscal 2010	63,193	56,490	89.4	994.42

Reference: Shareholders' equity

Fiscal 2011: ¥57,682 million

Fiscal 2010: ¥56,490 million

<u>* Note regarding implementation of audit procedures</u>

This summary of financial results is not subject to the audit procedures in accordance with the Financial Instruments and Exchange Act. At the time when this summary of financial results was released, the audit procedures were in progress for the financial statements.

<u>*Disclaimer regarding forward-looking information including appropriate use of forecasted financial results</u>

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

(1) Analysis of Results of Operations

Results of operations for the current fiscal year

In the fiscal year ended March 31, 2012 (fiscal 2011), net sales were nearly at the prior-year level, with a slight decrease of 0.1% year on year to ¥27,082 million. Higher sales volumes of injectable treatments for osteoarthritis pain overseas and in Japan compensated for the negative impact on sales of yen appreciation and the termination of the research reagents business.

Although net sales were at the prior-year level, gross profit increased, mainly as a result of cost reductions including depreciation of the No. 4 Production Building at the Takahagi Plant. Further, R&D expenses decreased for reasons that while U.S. clinical trial expenses for SI-6603, a treatment for lumbar disc herniation, increased, there was the non-recurrence of special factors such as the posting in full of clinical trial expenses in Japan in fiscal 2010. As a result, operating income rose 30.7% year on year to ¥4,617 million. Due to the one-time royalty income in fiscal 2010 that did not reoccur and other factors, ordinary income increased 14.7% to ¥4,770 million. Net income rose 33.4% to ¥3,270 million as a result of a decrease in extraordinary losses associated with the Great East Japan Earthquake.

1) Net sales by Segment

Pharmaceuticals

- Domestic (¥17,992 million, up 0.1% compared with fiscal 2010)

Although the market in Japan for injectable treatments for osteoarthritis pain of the knee expanded as a result of an increase in the aged population and the impact of continuing patient awareness campaigns that target knee osteoarthritis sufferers, conducted with sales partner Kaken Pharmaceutical Co., Ltd., the growth rate slowed compared to fiscal 2010 because of reasons including slowing from the high pace of growth maintained for the past several years and a trend of holding off on medical consultation due to the impact of the Great East Japan earthquake. In these circumstances, 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® rose only slightly as a result of a high level of shipments to the sales partner in fiscal 2010 due to the introduction of a new plastic syringe product.

Sales of the ophthalmic surgery aid OPEGAN® decreased as a result of a decline in the number of cataract operations following the earthquake disaster and intensified competition, even though the Company continued sales promotion activities focused on target medical institutions, conducted with sales partner Santen Pharmaceutical Co., Ltd.

Sales of MucoUp®, a surgical aid for use in endoscopic mucosal resection, rose thanks to a focus on awareness activities to increase penetration of endoscopic surgical techniques, conducted in cooperation with sales partner Johnson & Johnson K.K., despite sluggish growth in the number of endoscopic operations following the earthquake disaster.

- Overseas (¥3,505 million, up 9.3% compared with fiscal 2010)

U.S. sales of SUPARTZ®, the product name of ARTZ®, in the U.S., rose as the impact of a tightening of insurance reimbursements by some insurance companies nearly ran its course and active sales measures focused on differentiation from competitors proved successful. The Company's export sales to the U.S. rose as an increase on a volume basis compensated for the impact of yen appreciation.

Export sales to China continued to rise. 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.

As a result, overall sales of pharmaceuticals rose 1.5% from fiscal 2010 to ¥21,497 million.

Fine Chemicals

Although sales in overseas markets of products including endotoxin-detecting reagents for use in quality control developed favorably, sales of fine chemicals fell 5.9% to ¥5,584 million due to yen appreciation and the impact of termination of sales of research reagents at the end of September 2011 following discontinuation of this business.

2) Selling, general and administrative expenses

Selling, general and administrative expenses in fiscal 2011 fell 3.0% year on year to ¥12,716 million, principally due to lower R&D expenses. R&D expenses in fiscal 2011 fell 11.2% year on year to ¥5,970 million, and the ratio of R&D expenses to net sales was 22.8%.

3) Other income and expenses

Other income in fiscal 2011 fell 50.6% year on year to ¥515 million. The decrease is mainly attributable to a decrease of ¥549 million in transient royalty income.

Other expenses fell 13.1% year on year to ¥362 million. The decrease is mainly the result of a ¥191 million decrease in foreign exchange loss.

4) Extraordinary gain and loss

Extraordinary losses in fiscal 2011 fell 91.6% to ¥82 million. The decrease is mainly attributable to a decline of ¥850 million in extraordinary losses associated with the Great East Japan Earthquake.

5) Research and Development Activities

Seikagaku focuses its research and development on glycoscience as an area of specialization and aims to develop as a "Global Category Pharma" that contributes to healthy and fulfilling lives for people around the world. To achieve rapid and continuous introduction of new products, which hold the key to future business growth, we strike a proper balance between in-house development and in-licensing and are working to strengthen the glycoscience research network in Japan and overseas and further develop our R&D organizational structure.

Total R&D expenses in fiscal 2011 were ¥5,970 million, or 22.0% of net sales, and the number of R&D personnel was 221, or 34.3% of the total number of employees. The state of progress of principal R&D activities is described below.

- **SI-6603** (treatment for lumbar disc herniation)

  Seikagaku started case registration (administration to trial subjects) for a Phase III clinical trial in Japan in March 2012. This trial aims to accumulate further data with regard to improvement of symptoms of lumbar disc herniation and safety, in addition to results of Phase II /III clinical trials obtained in December 2010. A Phase II clinical trial in the U.S. is also going steadily.

  SI-6603, an enzyme named condoliase, is thought to be effective in reducing pressure on the nerve that is the cause of lumbar disc herniation pain. A single dose of SI-6603 into the lumbar disc is expected to be as effective as surgery.

  Meanwhile, Seikagaku concluded a basic agreement with Kaken Pharmaceutical Co., Ltd. concerning exclusive marketing rights in Japan in May 2012.

- **SI-657** (an additional indication for ARTZ® for the treatment of enthesopathy)

  Seikagaku started an early Phase II clinical trial in Japan in July 2011 and completed case registration in August 2011. Further, we started case registration for a late-Phase II clinical trial in January 2012. SI-657 is being developed jointly with Kaken Pharmaceutical Co., Ltd., the sales partner for ARTZ®. Because the high viscoelasticity of hyaluronic acid, the main ingredient of ARTZ®, enables long-term covering of inflamed areas and penetration of tendons and ligaments, SI-657 is expected to provide pain relief.

- **SI-614** (treatment for dry eye)

  Seikagaku received a notice to permit from the U.S. Food and Drug Administration to conduct a Phase II clinical trial in the U.S. in January 2012 and started case registration in March 2012. SI-614 is a modified hyaluronate with an excellent tear film stabilizing effect that is produced using Seikagaku's proprietary technology. Ocular instillation of SI-614 is expected to improve the tear film instability and accompanied symptoms found in dry eye patients.

- **SI-615** (rheumatoid arthritis treatment: in-licensed)

  A Phase I clinical trial of a single-drug oral dose has been completed in Japan. Since the originator Can-Fite BioPharma has been currently conducting a late Phase II clinical trial, Seikagaku plans to consider the future development strategy while assessing the progress of this trial, etc.

- **SI-636** (inflammatory disease treatment: in-licensed)

  Seikagaku had been considering its development strategy for SI-636 and assessing the progress and results of clinical trials conducted in Europe by the originator Biotie Therapies Corp. with focus on inflammatory diseases, including rheumatoid arthritis, as target diseases. However, Biotie has recently shifted its therapeutic focus to fibrotic diseases. Since this change is inconsistent with Seikagaku's development strategy, Seikagaku terminated the license agreement with Biotie in April 2012.

Forecasts for Fiscal 2012

The Company forecasts a 1.4% decrease in net sales to ¥26,700 million in fiscal 2012, ending March 31, 2013, due to approximately 7% reduction in the National Health Insurance drug price and termination of the research reagents business, despite an expected increase in the sales volume of ARTZ® in Japan.

We forecast a 43.7% decrease in operating income to ¥2,600 million, a 35.0% decrease in ordinary income to ¥3,100 million, and a 32.7% decrease in net income to ¥2,200 million. In addition to a decrease in gross profit due to factors that include the impact of a reduction in drug prices and an increase in depreciation in connection with the start of operation of newly constructed chondroitin sulfate production facilities at the Kurihama Plant, we anticipate a large increase in SG&A expenses mainly due to R&D expenses attendant on progress with respective development themes and selling expenses associated with sales volume increases.

We forecast R&D expenses of ¥6,700 million, an increase of 12.2% year on year, and a ratio of R&D expenses to net sales of 25.1%.

*The exchange rate assumption used in the forecast of consolidated business results for fiscal 2012 is ¥81 to the U.S. dollar.

Note: The above forecast has been prepared on the basis of economic circumstances, market trends, and other assumptions made at the time of release of this document. Actual results may differ from the forecast due to a variety of factors.