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Seikagaku Corporation
(Securities Code: 4548)

Seikagaku Announces a New Mid-term Management Plan

Tokyo, Japan, May 10, 2012 - Seikagaku Corporation (head office: Tokyo) has established a new mid-term management plan for the period from the fiscal year 2012 ending March 2013 (Fiscal 2012) to the fiscal year 2015 ending March 2016 (Fiscal 2015). A summary of the new mid-term management plan together with the review of the previous plan follows.

1. The Seikagaku Corporation Ten-Year Vision, established in March 2009

The pharmaceutical industry is in a period of great transformation due to worsening fiscal crunch for medical services, large-scale realignment of pharmaceutical companies across national borders, technological innovation in drug discovery research accompanying intensification of competition in new drug development. In this business environment, Seikagaku established the Seikagaku Corporation Ten-Year Vision with the aim of developing as a “Global Category Pharma.”

Seikagaku Corporation Ten-Year Vision

- Launch new drugs (including medical devices) on a consistent basis and cultivate the capability to open up every three years a new market that has the potential to become a mainstay business.
- Focus research and development on glycoscience and sustain steady growth as a “Global Category Pharma” that establishes global competitiveness.

2. Review of the previous mid-term management plan (Fiscal 2009 to Fiscal 2011)

Seikagaku started a three-year mid-term management plan in April 2009 and has undertaken “the fostering of basic corporate strength and development of core systems” as the first step toward achievement of the Vision.

During the period of the previous plan, sales volume of ARTZ[®] in Japan, an injectable treatment for osteoarthritis, continuously increased and export to China also increased. Seikagaku has started to expand production facilities to meet increasing demand. In addition, the U.S. subsidiary Associates of Cape Cod, Inc. achieved profitability. In the area of new drug development, Seikagaku obtained approval in the U.S. for Gel One[®], a single-injection injectable treatment for osteoarthritis pain of the knee. SI-6603, indicated for treatment of lumbar disc herniation, also reached the final stage of development in Japan and its clinical trial in the U.S. is going steadily. Seikagaku

recognizes that certain achievements were made in “the fostering of basic corporate strength and development of core systems” as a result of the above activities.

3. Outline of the new mid-term plan (Fiscal 2012 to Fiscal 2015)

On the basis of the above review, Seikagaku has established a new mid-term management plan for a four-year period beginning in April 2012 as the second step toward achievement of the Vision. Under this plan, Seikagaku will make proactive investments in key strategies of research, development, production and marketing to achieve the Vision, and strive to develop new buds that will grow into future results.

Management Objective and Slogan

- Develop new buds for achieving the Ten-Year Vision
- Slogan: “ACT for the Future”
 - Advance: Highly advanced technologies
 - Challenge: Unafraid mind against challenges
 - Transparency: A highly transparent company

Overall Strategy

(1) Research

- 1) In addition to broadening the scope of glycoscience research, develop a structure that will accelerate the creation of new research themes.
- 2) Strengthen mechanisms and relationships that will contribute to research results by incorporating knowledge and know-how from outside academic organizations such as universities and research institutes.

(2) Development

- 1) Develop a structure that can cope with parallel development of multiple themes and steadily advance the stages of projects in the current pipeline, starting with SI-6603, indicated for treatment of lumbar disc herniation.
- 2) Foster organizational strength that can achieve development on a global scale.

(3) Production

- 1) Steadily implement the production facilities construction plan and establish an optimal production system.
- 2) Pursue cost reduction and mitigate the risk of stock-outs through greater production efficiency by means including reduction of lead times.
- 3) Review the inventory policy for raw materials, etc. and also strengthen the logistics system in preparation for a major earthquake or other emergency.

(4) Marketing

- 1) Increase sales by utilizing the competitive advantage of products already on the market.
- 2) Seek market expansion by promoting awareness activities targeting knee

osteoarthritis patients.

- 3) Increase sales in China and other overseas growth markets and step up efforts to open up emerging markets.

Numerical Targets

	Fiscal 2012 Forecast	Fiscal 2015 Goal
Net sales	¥26.7 billion	¥31.5 billion
Operating income	¥2.6 billion	¥3.0 billion

*Key Assumptions

- 1) Increase in depreciation related to new facilities construction (to peak in Fiscal 2015)
- 2) Increase in R&D expenses associated with advances in new drug development (ratio of R&D expenses to net sales: 20% to 30%)
- 3) Decline in domestic selling prices due to drug price revisions (in Fiscal 2012 and Fiscal 2014)
- 4) Exchange rate: ¥81 to the U.S. dollar

4. Change of Dividend Policy

Seikagaku regards improving shareholder value as an important management priority and in Fiscal 2005 introduced a performance-based dividend policy with an emphasis on the dividend payout ratio. Now, taking into account changes in the business situation surrounding the Company, Seikagaku changes its policy so that we aim at stable and continuous dividends with a basis of an annual dividend of ¥25 per share from Fiscal 2012, the first fiscal year for the new mid-term management plan.

* The plans and forecasts in this release have been prepared on the basis of current assumptions about future economic conditions, market trends, and other factors. Actual results may differ from the plans and forecasts due to various factors.

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