

(Update of Previous Disclosure) Seikagaku Announces Completion of Acquisition (Incorporation as a Subsidiary) of Dalton Chemical Laboratories, Inc. and Change in Specified Subsidiaries

Seikagaku Corporation (Tokyo, Japan; “Seikagaku”) has completed acquisition of all shares of Dalton Chemical Laboratories, Inc., (Toronto, Canada; the “former Dalton”), an unlisted company in Canada, through a holding company and a special purpose acquisition company established in Canada for the purpose of acquiring the former Dalton (individually the “Holding Company” and “Special Purpose Acquisition Company,” respectively, and collectively the “Companies”). Seikagaku incorporated the former Dalton as a subsidiary in March 2020, as announced in “Seikagaku Announces Acquisition (Incorporation as a Subsidiary) of Dalton Chemical Laboratories, Inc. of Canada” of February 28, 2020. At that time, Seikagaku made an equity investment in the Companies, which resulted in a change in Seikagaku’s specified subsidiaries. Also, Seikagaku announces that as a result of the merger of the former Dalton and the Special Purpose Acquisition Company and establishment of a new company in a consolidation-type merger, the newly established company (the “new Dalton”) qualifies as a specified subsidiary of Seikagaku, as detailed below.

1. Completion of acquisition and change in specified subsidiaries

Under its mid-term management plan (fiscal 2019 to fiscal 2021), Seikagaku is endeavoring to solidify its profit foundation by focusing on efforts such as accelerating new drug discovery to become the pillar of new profits and productivity improvement reforms. As part of these efforts, the Company decided by a resolution at a Board of Directors meeting on February 21, 2020 to acquire all shares outstanding of the former Dalton through a holding company and a special purpose acquisition company and on March 24, 2020 acquired all shares of the former Dalton. At that time, Seikagaku made an equity investment in SKK CANADA ENTERPRISES CORPORATION (“SEC”), an intermediate holding company, and SEC made an equity investment in SKK ACQUISITION CORPORATION (“SAC”), an SEC subsidiary that SEC established for the purpose of acquiring Dalton. As a result of these investments, the capital of SEC and SAC became equivalent to 10% or more of Seikagaku’s capital, qualifying them as specified subsidiaries of Seikagaku. Subsequently, on Mach 26 the former Dalton and SAC carried out a consolidation-type merger under local laws, and the new Dalton succeeded the trade name and business of the former Dalton.

2. Outline of the specified subsidiaries

1) SEC

(1)	Name	SKK CANADA ENTERPRISES CORPORATION	
(2)	Location	Vancouver, British Columbia Province, Canada	
(3)	Name of representative	Yuji Shimojima, President	
(4)	Business description	Holding company	
(5)	Capital (after capital increase)	CAD 49,800,000	
(6)	Established	February 21, 2020	
(7)	Major shareholders and shareholding ratios	Seikagaku: 100%	
(8)	Relationship between Seikagaku and the subject company	Capital relationship	Seikagaku has acquired a 100% equity stake in the subject company.
		Personal relationship	One executive vice president of Seikagaku concurrently holds the position of director of the subject company.
		Trading relationship	None
(9)	Business performance and financial position of the subject company for the previous three years	Not applicable since the subject company was newly established in February 2020	
(10)	Applicable date	March 24, 2020	

2) SAC

(1)	Name	SKK ACQUIAITION CORPORATION	
(2)	Location	Vancouver, British Columbia Province, Canada	
(3)	Name of representative	Yuji Shimojima, President	
(4)	Business description	Special purpose acquisition company	
(5)	Capital (after capital increase)	CAD 49,800,000	
(6)	Established	February 21, 2020	
(7)	Major shareholders and shareholding ratios	Seikagaku: 100% (indirect holding)	
(8)	Relationship between Seikagaku and the subject company	Capital relationship	Seikagaku has acquired a 100% equity stake in the subject company through SEC.
		Personal relationship	One executive vice president of Seikagaku concurrently holds the position of director of the subject company.
		Trading relationship	None
(9)	Business performance and financial position of the subject company for the previous three years	Not applicable since the subject company was newly established in February 2020	
(10)	Applicable date	March 24, 2020	

3) New Dalton

(1)	Name	Dalton Chemical Laboratories, Inc.		
(2)	Location	Toronto, Ontario Province, Canada		
(3)	Name of representative	Peter Pekos, CEO		
(4)	Business description	CDMO ¹ business		
(5)	Capital	CAD 49,800,000		
(6)	Established	March 26, 2020		
(7)	Major shareholders and shareholding ratios	Seikagaku: 100% (indirect holding)		
(8)	Relationship between Seikagaku and the subject company	Capital relationship	Seikagaku has acquired a 100% equity stake in the subject company through SEC.	
		Personal relationship	One executive vice president of Seikagaku concurrently holds the position of director of the subject company.	
		Trading relationship	Seikagaku plans to entrust manufacturing of pharmaceuticals, etc. to the subject company.	
(9)	Business performance and financial position of the subject company for the previous three years ² (units: CAD 1,000)			
	Fiscal year ended	April 2017	April 2018	April 2019
	Net assets	6,360	7,657	9,393
	Total assets	15,263	16,598	18,424
	Net sales	11,936	14,556	17,195
	Operating income	964	990	1,932
	Net income	894	1,297	1,736
(10)	Applicable date	March 26, 2020		

Notes: 1. CDMO: Contract Development and Manufacturing Organization.

A business that supplies comprehensive services in drug development and manufacturing to pharmaceutical companies, including contract drug manufacturing, pharmaceutical formulation planning at the development stage, manufacturing of investigational drugs, and optimization of manufacturing conditions.

2. The business performance for the previous three years is the business performance of the former Dalton.

* The new Dalton was established under local laws on March 26, 2020 by a consolidation-type merger of the former Dalton and SAC, a special purpose acquisition company. As a result, the former Dalton and SAC have been dissolved and the newly established new Dalton has succeeded the trade name and business of the former Dalton.

3. Effect on forecasts of consolidated financial results

At this time, it would be difficult to reasonably assess the impact of COVID-19 on the Company's business and financial results. Accordingly, the Company has not yet determined a forecast of consolidated financial results for the fiscal year ending March 31, 2021. The Company will carefully examine the impact of COVID-19 on the financial results and promptly make an announcement once it becomes possible to determine a forecast. The effect of this matter on the Company's financial results for the fiscal year ending March 31, 2021 is expected to be immaterial.

<Cautionary Notes>

This press release contains forward-looking statements regarding future management strategies or performance forecasts. These descriptions are based on judgments derived from information that is currently available to Seikagaku and are subject to risk and uncertainty. Actual results and developments may differ significantly from these descriptions due to various factors.

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