

function were worth over an estimated US\$200 million in fiscal 2000. The market has expanded rapidly in recent years, but there is still substantial scope for future growth. Seikagaku is determined to achieve its goal of a 20% share of the U.S. market within five years.

ACC is a consolidated subsidiary and primary manufacturer of reagents for endotoxin assays. The company is currently working to enhance its manufacturing and R&D capabilities through investment in new building and other projects. This new investment is helping to lay the foundations for future business expansion. ACC's future growth will also benefit from its powerful sales networks in North America, France and Germany, and from the launch of new products, including products based on technology transferred from Seikagaku, and reagents developed by ACC itself.

Seikagaku is working to maximize profitability totally through a comprehensive strategy focused on efficiency and the improvement of the company's financial fundamentals. A new Corporate Planning Department has been established for this purpose. Seikagaku is also working to identify its strengths through a variety of management analyses.

## New R&D Structure

Recent mergers on a worldwide scale have led to the creation of giant pharmaceutical groups, and to an escalation of global competition. At the same time, the pace of progress in pharmaceutical technology is accelerating dramatically, especially in the area of genome research. Seikagaku recognizes the importance of selectivity with regard to the direction of R&D in this environment. This is reflected in Seikagaku's new basic policy on exploratory research and development. The new policy includes a radical restructuring of the Central Research Laboratories, the Company's core facility for new product development. The aim of the policy is to create an R&D organization capable of accelerating the development of original products capable of competing in a global environment. The new strategy calls for specialization in two key areas.

The first of these key areas is complex carbohydrates. In this field, Seikagaku Corporation has identified Glycosaminoglycan (GAG) as its

## Consolidated Financial Highlights

Years ended March 31	Millions of Yen				Thousands of U.S. Dollars
	2001	2000	1999	1998	2001
Net Sales	¥19,450	¥22,017	¥19,493	¥16,933	\$156,855
Gross Profit	12,853	15,622	13,400	11,440	103,653
Operating Income	3,874	6,312	4,416	3,026	31,242
Net Income	1,633	2,570	2,219	941	13,169
Total Assets	44,097	43,815	42,227	41,462	355,621
Shareholders' Equity	38,651	37,707	34,464	32,806	311,701
Per Share of Common Stock:					
	Yen				U.S. Dollars
Net Income (Assuming Full Dilution)	¥62.72	¥98.70	¥85.24	¥36.13	\$0.51
Cash Dividends	20.00	20.00	20.00	20.00	0.16

Notes: 1. U.S. dollar amounts are converted, for convenience only, at the rate of ¥124 = US\$1, the approximate rate at March 31, 2000.  
2. Net income per share is computed on the weighted average number of shares outstanding after giving retroactive adjustment for subsequent stock splits for each of the years.  
3. Cash dividends per common share are the amounts applicable to the respective years without giving retroactive adjustment for subsequent stock splits.

strategic focus for the development of new products. The second area of specialization consists of specific diseases. Seikagaku plans to focus its main efforts on diseases that affect joints in order to take advantage of its extensive range of expertise in this area.

We formed a new project team specializing in genetic research on synthesis and degradation of glycoconjugates, and as a first step, we have decided to participate in the joint research program on 'Comprehensive Study of Human Glycogenes' of the New Energy and Industrial Technology Development Organization (NEDO) initiated by the Ministry of Economy, Trade and Industry (METI).

We are a research-oriented company traditionally devoting about 20% of total revenues to R&D. To realize excellent results rapidly from such a new research structure, we are increasing and strengthening cooperative links with research institutes, colleges and companies in Japan and overseas. We plan to accelerate the development and introduction of new products through efficient R&D activities, while keeping the objectives, timetables and global standards always in mind.

**President**  
**Shirow Enoki**

