

## SIGNIFICANT EVENTS DURING THE YEAR



### 1 Expanding Production at the Takahagi Plant

Seikagaku has started work to increase production capacity for its joint function improver ARTZ Dispo® to accommodate anticipated medium-term product demand, including SUPARTZ® in the U.S. market. Plans call for the expansion of production facilities, including construction of the No. 4 Production Building at the Takahagi Plant.

The new building, incorporating anti-seismic base isolation features, will more than double production capacity. The existing No. 3 Production Building and the Central Staff Welfare Building are also to be expanded.



### 2 New Performance-based Dividend Policy Targets High Return to Shareholders

Seikagaku regards the creation of shareholder value as a key management priority. The previous policy called for a steady ordinary dividend of around ¥20 per share (allowing for internal reserves), together with a special dividend to commemorate milestones, such as listing on the Tokyo Stock Exchange First Section. The new performance-based dividend policy is aimed at improving shareholder return.

Management's new target is a 30% dividend payout ratio (with a nominal basic level of ¥20). For the year ended March 2006, under the new policy, the total of the combined interim and year-end dividends grows to ¥25 (a payout ratio of 31.5%), and the total amount paid out for 2006 climbs to ¥1,450 million—a figure that has more than tripled in three years.

### 3 Remuneration for Directors and Corporate Auditors Tied to Share Price

Following approval at the 60th general meeting of shareholders on June 23, 2006, Seikagaku introduced a new system of remuneration for directors and corporate auditors that is partially linked to share price. The previous system of retirement bonuses was simultaneously abolished, and an amount equivalent to retirement benefits was added to their remuneration. Previously accrued retirement bonuses will be paid on retirement.

Under the system, directors and corporate auditors will also continue to acquire shares in the Company by allotting a portion of each month's remuneration to their stock ownership program. In principle, they are required to hold those shares throughout their terms of office. In this way, directors and corporate auditors will share the merits and risks of share-price fluctuations with shareholders. The aim is to raise their awareness of business performance and the share price.

### 4 Endowment of Research Department at Osaka University Research Institute for Microbial Diseases

On April 1, 2006, Seikagaku endowed the Department of Disease Glycomics (chair) at the Osaka University Research Institute for Microbial Diseases. Among its activities, the new department carries out basic research to clarify the involvement of sugar chains in disease. This has become a key focus of post-genome research in recent years. It is hoped that this work will lead to the development of new products, such as pharmaceuticals and diagnostic drugs.

The Department of Disease Glycomics is headed by Professor Naoyuki Taniguchi an internationally renowned figure in this field, actively engaged in biological research in Japan and abroad concerning new functions of sugar chains and their involvement in disease.

By establishing the new research department, Seikagaku aims to accelerate the development of effective new therapies and diagnostic approaches based on sugar chains, by organically integrating its own research findings with the international leadership of the Osaka University Research Institute for Microbial Diseases in the field of sugar chain research.

