

Corporate Governance

Seikagaku approaches corporate governance by keeping in mind our responsibilities as a pharmaceutical company and seeking to retain the confidence of stakeholders. To assure that we manage the Company ethically and well, we apply effective internal control systems that reinforce collection of information necessary for responsible governance, speed up decision-making and reduce risks.

Board of Directors

The Board of Directors meets once a month, as a rule, and as required to carry out tasks stipulated in the Articles of Incorporation, makes key decisions guiding business operations, and supervises the performance of those operations.

Since June 2004, the Board of Directors has appointed one outside director to strengthen its supervisory functions, and since June 2007, the term of office for directors has been one year, for optimum adaptability to the business environment.

Business operations

Under the managing officer system, executive functions are separated from those of the Board of Directors, which concentrates on decision-making and supervising business operations.

The Management Committee meets basically once a week so that internal directors and managing officers can be fully informed about management issues and take prompt action to address them. In addition, we set up the Risk Management Committee in April 2008 to address potential risks to the Company.

Audit

The Board of Auditors, consisting of five statutory auditors, three of whom are outside auditors, is charged with auditing the performance of the directors. Internal audits include audits performed by the Audit Department, quality audits carried out by the Quality Assurance Dept. and GCP audits by the Regulatory Affairs Dept. These audits verify that all departments are conducting their operations in an appropriate manner.

Compliance

Compliance lies at the heart of all corporate activities of the Company. We have to strictly comply not only with all laws and regulations but also with internal codes and rules as well as socially accepted ethical standards. The Compliance Program Handbook is produced and distributed to all executives and employees in order to maintain and promote awareness and understanding on compliance. Further company-wide education is implemented from time to time.

Internal controls for financial reporting

We strictly enforce proper internal controls for financial reporting and demonstrate our commitment to transparent reporting. The management has evaluated the effectiveness of the operation of its internal controls for financial reporting and received a clean opinion from an audit by an independent accounting firm.

Policy toward large-scale purchases of shares in the Company

In June 2008, a policy regarding large-scale purchases of shares in the Company was approved at the General Shareholders' Meeting to prevent inappropriate purchases that could harm corporate value and the common interests of shareholders. The policy provides for the establishment of an independent committee, consisting of persons independent of the management, in order to ensure objective and reasonable judgments of the Board of Directors.

