

Members of the Board (as of October 1, 2019)



President & CEO *
Ken Mizutani

Term of office as Director:

29 years

Number of the Company's shares owned:

437,316 shares



Executive Vice President
Business Development & Marketing
Toshiyuki Okada

Term of office as Director:

2 years

Number of the Company's shares owned:

4,600 shares



Executive Vice President
Research & Development
Yosuke Funakoshi

Term of office as Director:

1 year

Number of the Company's shares owned:

5,100 shares



Executive Vice President
Corporate Strategy, HR, F&A and Corporate Staff
Takayuki Akita

Term of office as Director:

1 year

Number of the Company's shares owned:

1,800 shares



Outside Member of the Board
Eiji Katayama

Term of office as Director:

15 years

Number of the Company's shares owned:

36,100 shares



Outside Member of the Board
Mio Minaki

Term of office as Director:

—

Number of the Company's shares owned:

—



Audit & Supervisory Board Member
Toru Takeda

Term of office as Audit & Supervisory Board Member:

3 year

Number of the Company's shares owned:

1,900 shares



Audit & Supervisory Board Member
Shigeru Kawahara

Term of office as Audit & Supervisory Board Member:

2 years

Number of the Company's shares owned:

5,000 shares



Outside Audit & Supervisory Board Member
Yoshihito Shibata

Term of office as Audit & Supervisory Board Member:

4 years

Number of the Company's shares owned:

1,300 shares



Outside Audit & Supervisory Board Member
Mie Fujimoto

Term of office as Audit & Supervisory Board Member:

4 years

Number of the Company's shares owned:

1,300 shares



Outside Audit & Supervisory Board Member
Shinkichi Matsuo

Term of office as Audit & Supervisory Board Member:

—

Number of the Company's shares owned:

—

Head of Corporate Staff
Executive Vice President
Mikako Torii

Quality Compliance
Executive Vice President
Yuji Shimojima

Head of Takahagi Plant
Head of Production
Executive Vice President
Masayuki Ito

*Ken Mizutani concurrently serves as an executive officer.

Notes: 1. Terms of office are as of June 19, 2019.

2. Number of the Company's shares owned is as of March 31, 2019.

Basic policy of corporate governance

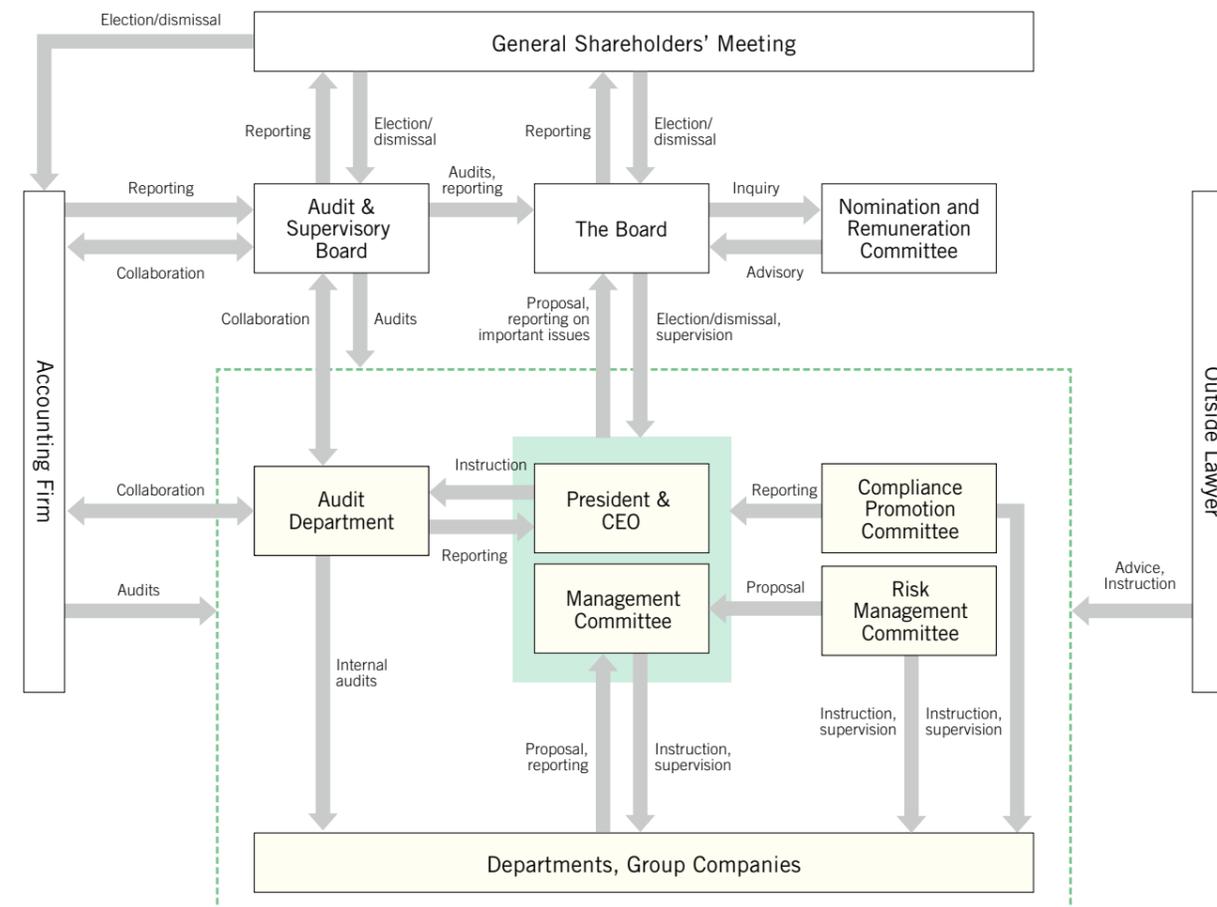
Seikagaku Corporation views corporate governance as a core area of management priority, and endeavors to gather information accurately and adequately, speed up decision-making, and strengthen the supervisory function of business execution. We are profoundly aware of our social mission and responsibilities as a pharmaceutical company, and are committed to always earning the confidence of stakeholders, including our shareholders. In addition to establishing internal control systems, such as for compliance and risk management, we are enhancing our corporate governance through mutual collaboration among departments within the Company in order to create a management environment that meets the expectations of society.

Concrete approach and measures for corporate governance

The Board

- The Board holds regular monthly meetings to make decisions on tasks stipulated in laws, the Articles of Incorporation and rules for the Board, such as basic management policy, mid-term management plan, annual management plan, and election of executive vice presidents. The Board decides on important business, and supervises the performance of business operations. If necessary, additional meetings of the Board are convened.
- The term of office for members of the Board is one year with the aim of creating a management structure that would be able to adapt quickly and flexibly to changes in the business environment.
- The Board comprises four full-time and two outside members. We enhance management oversight from an independent standpoint by appointing outside members of the Board to one-third of the Board seats.

Corporate Governance Structure



- The outside members of the Board are responsible for oversight from an objective standpoint, a perspective that incorporates the common interests of shareholders, and is based on expert knowledge and insights into corporate management. The outside members of the Board also attend meetings held among the President & CEO, Audit & Supervisory Board members, and heads of each department to share views of the Company's business issues and the external environment.
- All two outside members of the Board are reported to the Tokyo Stock Exchange, Inc. as independent officers.
- The documents and supplemental materials on the agenda are generally distributed to the members three days before the date of the Board meetings in order to ensure review time for ample discussions.
- The Board consults with the Nomination and Remuneration Committee, which consists of the President & CEO and all outside members of the Board, in determining matters concerning compensation and candidates for members of the Board, and makes decisions based on the advice received.
- Outside officers meetings, comprising the outside members of the Board and outside Audit & Supervisory Board members, analyze and evaluate the effectiveness of the Board periodically. After reporting the results to the Board, the secretariat works to improve the management of the Board.

Audit framework

- The Audit & Supervisory Board comprises five members, two full-time and three outside members, and each member audits the Board members' execution of duties.
- Out of five members, each one of full-time members and outside members have enough knowledge of finance and accounting.
- The outside members suitably perform supervision of the Board members' execution of duties from an objective standpoint, a perspective that incorporates the common interests of shareholders, based on expert knowledge and insights into corporate management.
- All three outside Audit & Supervisory Board members are reported to the Tokyo Stock Exchange, Inc. as independent officers.
- To strengthen the oversight function, Audit & Supervisory Board members attend the Board, and the full-time Audit & Supervisory Board members attend important meetings of the Management Committee, Compliance Promotion Committee, Risk Management Committee, and other management bodies and receive reports concerning the status of management and business execution.
- The Audit & Supervisory Board increases audit effectiveness and efficiency by holding regular meetings with the President & CEO and the Audit Department, and by interviewing members of the Board in charge and heads of each department according to an annual program.
- The Audit & Supervisory Board members hear from the accounting auditors about the annual audit plan of the accounting auditor and the results of the accounting audit, etc. and exchange views.

Business operations

- Seikagaku operates an executive vice president system for enhancing the corporate governance. Under this system, executive functions are separated from the Board, the functions of which are limited to decision-making and the supervision of business operations. Seikagaku endeavors to build up an internal system, which is quickly able to respond to changes in the management environment, by improving the flexibility and efficiency of executive functions, expanding the executive vice president system, and promoting the transfer of authority.
- Seikagaku holds weekly Management Committee meetings. The Committee, composed of full-time members of the Board and executive vice presidents, confers and decides agendas of executive functions they have been tasked for implementation by the Board, based on the basic policy of the Board.

Compliance/risk management

- In addition to the social ethics code, in order to comply with strict laws and regulations of the pharmaceutical industry, Seikagaku has established a compliance program (including the SKK Group Compliance Code of Conduct) based on the Creed and the Guidelines for Our Activities as defined in our Core Values. The Seikagaku Compliance Program Handbook is compiled and distributed to increase the awareness and understanding of employees.
- The Compliance Committee is chaired by the President & CEO and shares the same members as the Management Committee. There are also various programs to promote compliance on a company-wide basis. And Seikagaku has implemented various measures to enhance effectiveness.
- To appropriately manage business risks and take risk prevention measures, Seikagaku has established a Risk Management Committee, chaired by a Board member in charge of administration and comprising the executive vice presidents in charge of various departments.
- Seikagaku controls subsidiaries adequately by stipulating the rules for regularly reporting important events, such as compliance and risk status, in addition to financial condition, ensuring adequate and efficient operation of subsidiaries.
- Seikagaku ensures that management decision and daily business execution are in compliance with laws and regulations by receiving advice and instructions from outside lawyers.

Accounting audit and Internal audit framework

- Seikagaku has selected Deloitte Touche Tohmatsu LLC as the accounting auditor following comprehensive evaluation of its auditing accomplishments, independence, quality control system, and other factors.
- The Corporate Audit Department, consisting of three employees, conducts audits for the purpose of assessing and verifying the legality and appropriateness of the Seikagaku Group's operations.

Coordination between Audit & Supervisory Board members, accounting auditors, and internal audits

- The Audit & Supervisory Board members and the Corporate Audit Department met 25 times during fiscal 2018 to review audit results related to internal controls at each internal division, and share information and views on the audit plan and the status of audits conducted by the Corporate Audit Department. They also aim to reach a mutual understanding through spontaneous communications.
- Regarding the state of coordination between the Audit & Supervisory Board members and the accounting auditors, information exchange was provided for on 11 occasions during fiscal 2018, and the year's plan for the auditing firm and the results of the financial audit were received at a hearing where views on these matters were also exchanged.
- The Corporate Audit Department cooperates with the accounting auditors to share information and exchange views on audit plans concerning internal controls, audit implementation status and audit results for ensuring the reliability of the Company's financial reports.

Outside members of the Board and outside Audit & Supervisory Board members

Number of outside members of the Board and outside Audit & Supervisory Board members

- The Company has two outside members of the Board and three outside Audit & Supervisory Board members. All five outside officers satisfy the conditions for independent directors or auditors stipulated by the Tokyo Stock Exchange, Inc. and the Company's Independence Criteria for Outside Officers. The Company has submitted notification to the Tokyo Stock Exchange that all five outside officers are independent officers.

Interests including those having a personal relationship, capital relationship, or transactional or other business relationship with the Company

- Concerning relationships between our company and another company in which the same person serves, or has served, as an outside member of the Board or an outside Audit & Supervisory Board member, there are no interests that would be affected by a personal relationship, a capital relationship (except for the holding of our company stock through a compensation system linked to the stock price), a business relationship, or performance of other work duties.
- Under the approval of the 73rd Ordinary General Meeting of Shareholders held on June 19, 2019, the Company has introduced a restricted stock compensation system as part of officer compensation. As a result, the stock price-linked compensation system has been abolished. Outside directors and outside corporate auditors are not subject to the restricted stock compensation system.

Functions and roles carried out in corporate governance

- The outside members of the Board oversee management and contribute to strengthening of the Company's corporate governance system by providing advice and recommendations from an objective standpoint, which is based on expert knowledge and insights into corporate management and incorporates the common interests of shareholders.
- The outside Audit & Supervisory Board members appropriately fulfill their role of overseeing the execution of duties by Board members by striving to gather information and expressing their views from an objective standpoint, which is based on expert knowledge and insights into corporate management and incorporates the common interests of shareholders.

Standards and guidelines of appointment with respect to the independence from the Company for the appointment, and approach concerning appointment status

- The Company stipulates that in order to fulfill the criteria for independence, an outside officer must not fall under any of the following:
 - A. A person who executes business of the Company and its group companies (the "Group").
 - B. A party who provides the Group with products or services whose transactions with the Group accounted for at least 2% of their consolidated net sales in the most recent fiscal year, or a person who executes business thereof.
 - C. A party to whom the Group provides products or services whose transactions with the Group accounted for at least 2% of the Company's consolidated net sales in the most recent fiscal year, or a person who executes business thereof.
 - D. A consultant, an accounting expert, or a legal expert who received ¥10 million or more of monetary consideration or other property from the Group in the most recent fiscal year (or if the entity receiving such property is an organization, such as a corporation or an association, a person belonging to such entity which received at least 2% of its total annual income from the Group).
 - E. A party who received donations of ¥10 million or more from the Group in the most recent fiscal year, or a person who executes business thereof.
 - F. A shareholder who held at least 10% of the total voting rights of the Company at the end of the most recent fiscal year, or a person who executes business thereof.
 - G. A person who fell under any of the above criteria (A) to (F) within the past three years.
 - H. A relative who is within the second degree of kinship or who is living together with a person falling under any of items (A) to (G) above.
 - I. A party who is deemed to have any other significant interest in the Group, or a person who executes business thereof.

- From the candidates for outside member of the Board, we select well-qualified persons who apply insight from specialized expertise and corporate management and who can exercise appropriate supervision of business execution from an objective standpoint, including a viewpoint of shared profits with shareholders. From the candidates for outside Audit & Supervisory Board member, we select well-qualified persons who apply insight from specialized expertise and corporate management and who can exercise appropriate supervision of the Board's performance of duties from an objective standpoint, including a viewpoint of shared profits with shareholders.
- Because they fulfill the standards of independence for outside officers set by the Company and the standards of independent officers set by the Tokyo Stock Exchange, Inc. and we believe that the outside members of the Board and the outside Audit & Supervisory Board members hold sufficient independence from the management that executes the Company's business.

Compensation for corporate officers

Basic policy on compensation for corporate officers

The Company's basic policy on compensation for corporate officers is to contribute to sustained earnings improvement by increasing incentives for corporate officers to meet the expectations of shareholders.

Compensation for corporate officers consists of basic compensation that reflects consideration of the balance between the going rate, management performance, and employee salaries and, for directors other than outside directors, earnings-linked compensation and performance-linked compensation, which serve as short-term incentives, and restricted stock compensation, which serves as a long-term incentive.

Earnings-linked compensation, a short-term incentive, is calculated using the level of profits in the previous fiscal year. Performance-linked compensation is determined in accordance with qualitative assessment of achievement of objectives by each director in the previous fiscal year.

Restricted stock compensation, a long-term incentive, involves the granting each year of common shares of the Company for which transfer is restricted until retirement. The purpose is to provide an incentive for directors (excluding outside directors) to pursue sustained enhancement of the Company's corporate value and promote further sharing of value with the shareholders by promoting long-term, stable shareholding. Compensation for outside directors and Audit & Supervisory Board consists of basic compensation only, in view of their management oversight role.

Method of determining compensation for corporate officers

The amount of compensation for corporate officers is determined in accordance with the above basic policy within the maximum amount approved by the General Shareholders' Meeting, with the amount for directors determined by the Board of Directors and the amount for Audit & Supervisory Board members determined by discussion among them. When determining compensation for directors, the Board of Directors consults with the Nomination and Remuneration Committee, comprising the president and CEO and all of the outside directors, and deliberates in light of the consultation results.

Total amount of compensation for each category of officer, total amount by type of compensation, and the number of relevant officers (fiscal year ended March 2019)

Officer category	Total compensation (Millions of yen)	Total by type of compensation (Millions of yen)			Number of officers
		Basic compensation	Earnings-linked compensation	Other	
Members of the Board*	230	204	25	—	6
Audit & Supervisory Board members*	45	45	—	—	2
Outside officers	47	47	—	—	5
Total	323	297	25	—	13

*Excluding outside officers

Notes: 1. Based on the status at the time of adjournment of the 72nd Ordinary General Shareholders' Meeting held on June 20, 2018, two retired member of the Board are included in the table above.
 2. The amount of pay for a member of the Board does not include the employee portion of salary of someone who is concurrently an employee and a member of the Board.
 3. The total amount of compensation paid to all members of the Board was resolved at the 61st Ordinary General Shareholders' Meeting held on June 22, 2007, to be no more than ¥400 million per year (of which the outside Board member proportion shall be no more than ¥50 million per year).
 4. The total amount of compensation paid to all Audit & Supervisory Board members was resolved at the 61st Ordinary General Shareholders' Meeting held on June 22, 2007, to be no more than ¥80 million per year.
 5. Regarding the remuneration of directors (excluding outside directors), at the 73rd Ordinary General Meeting of Shareholders held on June 19, 2019, we were approved the introduction of a restricted stock compensation system with a transfer limit of no more than ¥50 million per year. The total number of the Company's common stock shares issued or disposed for the grant of restricted stock shall be 40,000 or less per year.

Main activities of the outside members of the Board and the outside Audit & Supervisory Board members (fiscal year ended March 2019)

Officer category	Last/First name	Independent officer	Board meetings	Audit & Supervisory Board meetings
Outside member of the Board	Eiji Katayama	○	Attended 13 of 13 meetings	—
	Izumi Hayashi	○	Attended 13 of 13 meetings	—
Outside Audit & Supervisory Board members	Nobuhiro Takeuchi	○	Attended 12 of 13 meetings	Attended 13 of 14 meetings
	Yoshihito Shibata	○	Attended 13 of 13 meetings	Attended 14 of 14 meetings
	Mie Fujimoto	○	Attended 13 of 13 meetings	Attended 14 of 14 meetings

Compliance promotion activities

In order to ensure a strong sense of ethics across all of its corporate activities, Seikagaku Corporation strives as a pharmaceuticals company, not simply to comply with relevant laws and regulations, but also "to regulate its own conduct in accordance with a moral understanding (proper thinking on what human beings ought to do intrinsically) and to have the courage to rectify the misdeeds of others," positioning sincere and fair conduct this as a basis of all activities.

To embody these principles, we have established a Compliance Program that, among other things, has promulgated a Code of Conduct for the Group. In addition, in order for the program to proceed better in an appropriate manner and without obstruction, we have established a Compliance Promotion Committee and develop an annual action plan. Through these actions, we promote greater compliance awareness on an all-company scale and increase its effectiveness.

We have also distributed to all employees and publicized a Compliance Program Handbook that describes the contents of this program and a Compliance Card that summarizes the key points of conduct

In the fiscal year ended March 31, 2019 (fiscal 2018), we instituted an activities policy of strengthening the compliance promotion system through understanding of matters that must be complied with in business activities and a sense of ownership on the part of officers and employees. We worked to ensure compliance effectiveness by developing internal systems and undertaking sufficient internal penetration of compliance awareness through training, mainly for the purpose of complying with revisions to laws, ordinances, and regulations relating to the Company's business operations.

We have also set up multiple contact points for consultation, including an outside attorney, and have put in place a system to promote the prompt discovery and early resolution of problems. There were six consultations in the fiscal 2018, all of which were handled appropriately.

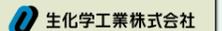
コンプライアンスカード

経営綱領とコンプライアンス

当社は「独創 公正 夢と情熱」の経営綱領のもと、独創的な医薬品等の創製を通して世界の人々の健康で心豊かな生活に貢献していきます。経営綱領を反映したコンプライアンス・プログラムは、当社の行動の基本方針となるものです。

私たちの使命

私たちは、生命関連企業に求められる高い倫理観のもと、コンプライアンス・プログラムおよび法令等を遵守して、誠実かつ公正に行動します。*当社コンプライアンス行動規範より



Compliance Card

BUSINESS RISKS

The following are the principle risks that could have a material effect on the operating results and the financial situation of Seikagaku Corporation.

Legal restrictions, healthcare system and administrative trends

Many of the Seikagaku's products affect people's lives and health and, consequently, are subject to legal restrictions for ensuring the quality, efficacy, and safety of pharmaceuticals and other products imposed by regulatory authorities in Japan and other countries. Amendments to these related laws and regulations or healthcare system and administrative policy trends, including revisions to the National Health Insurance Drug Price Standard, could affect our business results.

Timeframe and expense required for new product development

In pharmaceutical product development, the core of Seikagaku's business, various clinical studies to confirm efficacy and safety are required from the time of basic research to new drug approval. Even if the Company bears enormous R&D expenses over long periods of time, there is risk that products under development will not progress to launch. R&D expenses vary according to R&D progress, and this could affect our business results.

Reliance on specific distributors

We have entered into exclusive distributorship agreements with sales partners for the pharmaceuticals and medical devices that are our mainstay products, which limits the number of distributors. Changes to the business relationships with these companies due to changes in circumstances, depending on the nature of the changes, could affect our business results.

Reliance on specific products

Joint function improving agents and ophthalmic viscoelastic devices account for a majority of the net sales of the Pharmaceuticals business in Japan and overseas markets in the fiscal year. Consequently, any unforeseen material side effects or other events that have a material effect on the manufacturing and sale of these mainstay products could affect our business results.

Reliance on specific suppliers

Various restrictions apply to the manufacture of pharmaceuticals, and some raw materials require the approval of regulatory authorities. Therefore, the number of raw materials suppliers is limited, and we perform on-site audits and strive to maintain quality and establish a stable supply system. We rely on single supply sources for certain raw materials. Consequently, any change in circumstances that makes it difficult to procure raw materials could disrupt the manufacture of products and affect our business results.

Use of animal-derived ingredients as raw materials

Many of the Seikagaku's products are made using ingredients derived from animals, namely chickens, sharks, and horseshoe crabs, as raw materials. Consequently, any restrictions on the use of animal-derived ingredients as raw materials or difficulty in procuring these ingredients could affect our business results.

Exchange rate fluctuations

Our export transactions are denominated mainly in U.S. dollars. Although we endeavor to reduce exchange risks by denominating a portion of R&D expense payments in foreign currencies and entering into foreign exchange contracts, exchange rate trends could affect our business results.

Price fluctuations of holdings of marketable securities

We invest cash reserves in marketable securities for the purpose of applying them to future R&D and capital expenditures. Although we endeavor to reduce risks through diversification of investments and other means, price fluctuations of marketable securities and other investments could affect our business results.

Litigation

Initiation of litigation relating to pharmaceutical side effects, product liability, patents or other intellectual rights, labor problems, depending on the details, could affect our business results.

Occurrence of large-scale disasters

Any stagnation of business activities or disruption of product supply as a result of extensive damage to the Seikagaku Group's business sites due to an earthquake, a typhoon or other natural disaster, fire or other accident, or an epidemic of a new influenza virus or other infectious disease could affect our business results. Also, any major expenses for the repair of facilities damaged in a disaster could affect our business results.

Status of development and operation of risk management regulations and systems

Regulations and other systems related to the management of risk of losses

- We have established business risk management regulations and developed a system to ascertain and manage risks pertaining to business execution.
- We have established the Risk Management Committee, chaired by the chief risk management officer (the member of the Board in charge of Corporate Strategy, Human Resources, Finance and Accounting, and Corporate Staff) and comprising the executive vice presidents in charge of various departments. The Committee deliberates risk prevention measures and, when a material business risk event occurs, establishes a response headquarters and takes measures to minimize damage.

Status of operation of risk management systems

The Risk Management Committee met in the fiscal year ended March 31, 2019 and deliberated major issues such as strengthening of the confidential information management system, confirmed the status of progress with group-wide risk prevention measures, and sought to prevent risk events from occurring.

In addition, we strove to reduce risks relating to our business by renewal of accident procedure manuals for the purpose of increasing the effectiveness of the rapid business recovery response, and developing systems to promote appropriate disposal of documents whose retention deadlines have passed.

SOCIAL CONTRIBUTION ACTIVITIES

Seikagaku engages in initiatives to address social and environmental problems in pursuit of harmony and continuous growth together with local communities.

Plant tours for learning about and experiencing manufacturing

Every year since 2012, Seikagaku Corporation has conducted tours of the Takahagi Plant for elementary school students to give children the opportunity to experience a manufacturing site up close. These tours enable students to learn about pharmaceutical manufacturing through observation of the formulation process and familiarize them with initiatives for quality control necessary for the manufacturing and stable supply of high-quality pharmaceuticals. During the tours, we also aim to stimulate interest in chemistry and experimentation by providing hands-on experience of a simple cider-making process using familiar everyday articles.

Through such interaction with host community residents, we support the development of the children who will become tomorrow's leaders.



Children eagerly answer quiz questions



Experiencing the viscosity of hyaluronic acid

Horseshoe crab conservation activities

Since Seikagaku's U.S. subsidiary Associates of Cape Cod, Inc. (ACC) manufactures and sells reagents* using a substance extracted from horseshoe crab blood cells as a raw material, it continuously engages in horseshoe crab conservation activities to protect this precious natural resource. In addition to supporting the American horseshoe crab, in 2019, ACC began providing assistance for activities to maintain the population of Asian horseshoe crabs in the form of customized aquaculture equipment and training.

ACC has long engaged in an activity to collect and fertilize horseshoe crab eggs *in vitro*, grow them into survivable crabs, and release them into the natural environment, accumulating experience in aquaculture systems and species-specific culture expertise in this process. This assistance will be made available to academic institutions and private sector researchers around the world, starting with organizations in China and Malaysia. Organizations receiving assistance will be granted a license to use ACC proprietary technology and expertise free of charge, and they are provided customized tools, instruction in *in vitro* fertilization methods and training in the operation of highly efficient aquaculture equipment.

The number of American horseshoe crabs that ACC has released in the Commonwealth of Massachusetts exceeded 250,000 in 2019. The Seikagaku Group will continue to pro-

mote activities to conserve and sustain horseshoe crab populations worldwide, and strive to use this precious resource in a sustainable, responsible manner.

*Endotoxin-detecting reagents used in quality control for manufacturing processes of pharmaceuticals and medical devices



Released American horseshoe crabs

Seikagaku pursues respect for learning by engaging in global research assistance and sponsoring activities that support the development of glycoscience.

Glycoforum, a website for comprehensive information on glycoscience research

<https://www.glycoforum.gr.jp/index.html>

Since 1997, Seikagaku has operated "Glycoforum," an academic website that shares information about research findings to contribute to the development of glycoscience, which is one of Seikagaku's areas of specialization.

As a portal site for glycoscience information, the website promptly disseminates science paper information, including commentary from global leading researchers and academic conference information. The site enjoys strong support from researchers in Japan and overseas, and was selected as one of the recommended websites by the worldwide scientific journal *Nature Reviews*.



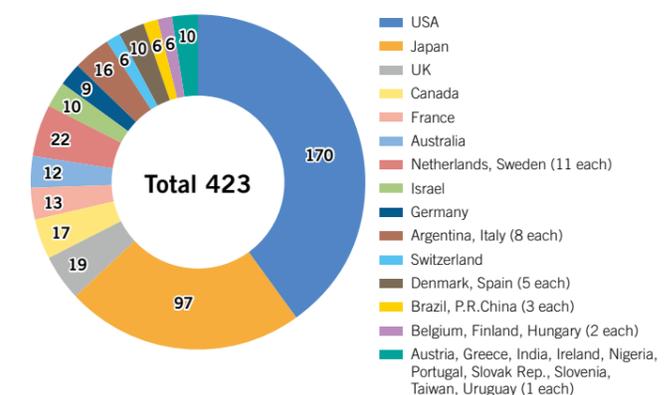
Support for the Mizutani Foundation for Glycoscience

<https://www.mizutanifdn.or.jp/index.html>

The Mizutani Foundation for Glycoscience was established in 1992 with an endowment from the late Masakane Mizutani, former president of Seikagaku Corporation, for the purpose of contributing to the welfare of humanity through the advancement and development of glycoscience. The Foundation provides research grants to glycoscience researchers in Japan and overseas and supports conferences. In fiscal 2018, the Foundation provided research grants totaling approximately ¥72.3 million to 16 grant recipients.

Seikagaku endorses the purpose of the Foundation and has continuously supported its activities since its founding.

Number of Grant Recipients by the Mizutani Foundation for Glycoscience (By country and area: 1993–2019)



Promoting early treatment of knee osteoarthritis *Hiza Ikiiki* (Sprightly Knees), a website for provision of information concerning knee osteoarthritis to the general public



<https://www.ehiza.jp>

Some 30 million patients* in Japan are said to suffer from knee osteoarthritis, a disorder marked by knee joint strain due to aging, excessive exercise, or weight increase causing the cartilage to gradually wear away. The *Hiza Ikiiki* website explains basic knowledge concerning knee osteoarthritis, diagnosis, and treatment methods in an easy to understand way and gives information on nearby medical institutions that operate outpatient clinics and provide treatment for knee pain. Visitors can also download a pamphlet "Exercise therapy of knee osteoarthritis."

We will provide correct knowledge to people with knee pain and further enhance website content to enable greater numbers to promptly obtain appropriate treatment.



*"Locomotive Disorder Countermeasures to Promote Preventive Care," a report from the Ministry of Health, Labour, and Welfare issued in 2008

FINANCIAL / NON-FINANCIAL HIGHLIGHTS

Basic policy on profit distributions

The improvement of shareholder value is an important management priority. Our goal is to enhance shareholder returns while achieving sustainable growth through balanced business investment, including investment in R&D and the improvement of production structures.

Our policy on shareholder returns is to maintain dividend stability from a medium- to long-term perspective by continuing to pay an annual dividend of ¥26 per share. We will also continue to consider share buy-back schemes, while giving due consideration to future business development and the overall payout ratio.

In the year ended March 31, 2019, we set the final dividend at ¥13 per share. Together with the interim dividend of ¥13 per share, this resulted in an annual dividend of ¥26 per share for the year ended March 31, 2019, equivalent to a payout ratio of 65.4%.

Consolidated Business Performance

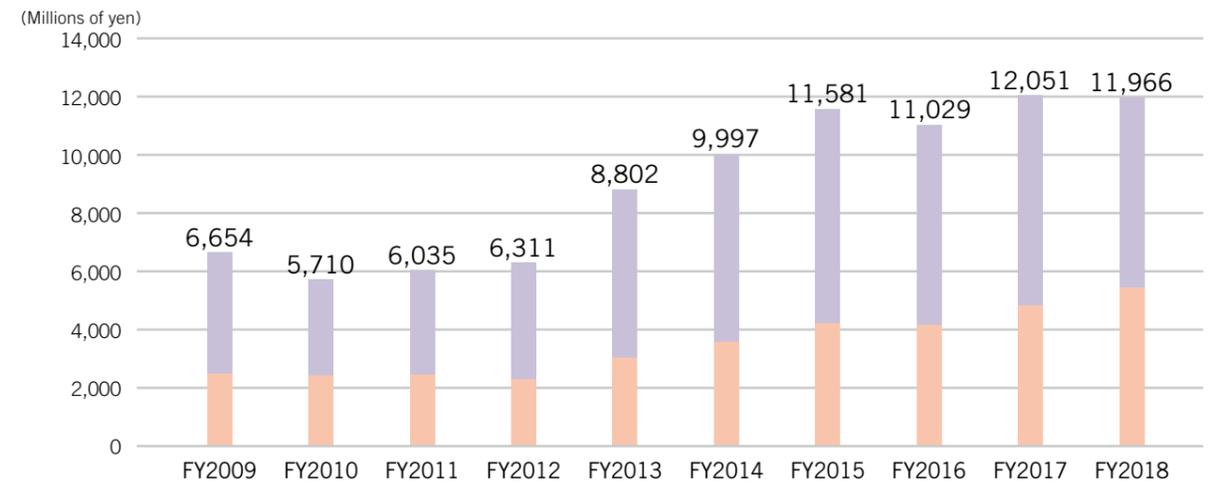
(Millions of yen)

	FY2014	FY2015	FY2016	FY2017	FY2018
Net Sales	29,522	30,962	29,589	30,175	28,384
Overseas Sales	9,997	11,581	11,029	12,051	11,966
Overseas Sales Ratio (%)	33.9	37.4	37.3	39.9	42.2
Cost of Sales	12,130	12,871	13,247	13,008	13,114
Gross Profits	17,391	18,091	16,341	17,166	15,270
R&D Expenses	8,146	8,649	7,834	8,408	7,148
Operating Income	2,383	2,144	1,282	1,421	977
Operating Income Ratio (%)	8.1	6.9	4.3	4.7	3.4
Ordinary Income	4,008	3,500	2,477	5,327	2,859
Net Income	3,650	2,578	1,787	3,922	2,244
Net Income Ratio (%)	12.4	8.3	6.0	13.0	7.9
Total Equity	70,410	69,815	70,646	73,945	73,036
Return on Equity (ROE) (%) ^{*1}	5.4	3.7	2.5	5.4	3.1
Total Assets	80,889	80,218	80,048	84,749	80,238
Return on Assets (ROA) (%) ^{*1}	5.2	4.3	3.1	6.5	3.5
Dividend Payout Ratio (%)	40.5	57.3	98.3	37.5	65.4
Net Income per Share (yen)	64.27	45.39	31.55	69.30	39.76
Total Equity per Share (yen)	1,239.51	1,229.05	1,248.07	1,306.37	1,294.88
Dividends per Share (yen)	26.00	26.00	31.00 ^{*2}	26.00	26.00
Number of Employees (persons)	649	663	687	718	744

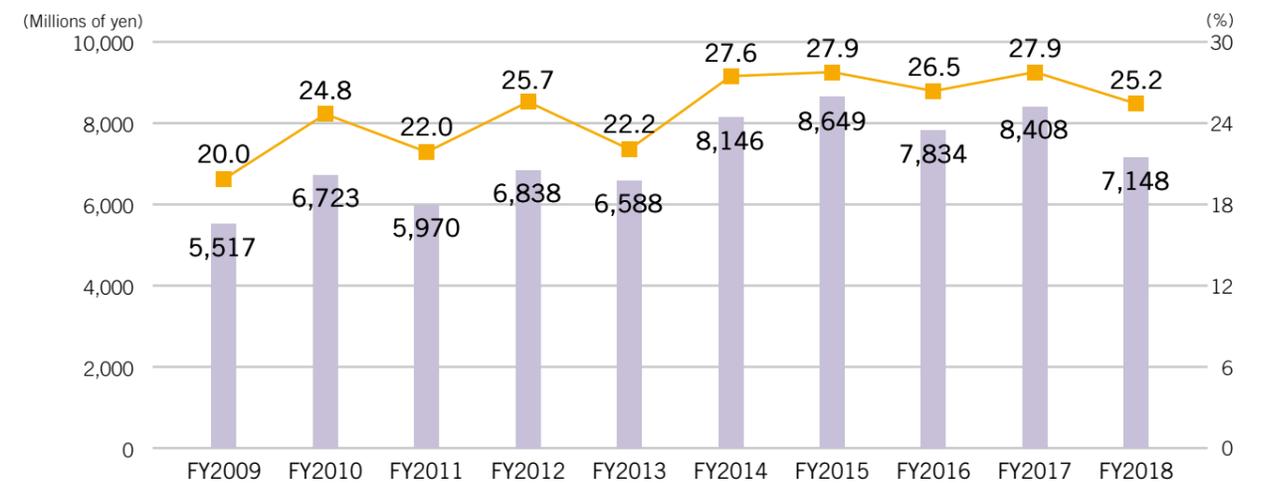
*1 Total Equity and Total Assets are average amounts of the numbers for the end of previous fiscal year and the end of current fiscal year, respectively.

*2 Including a 70th anniversary commemorative dividend of 5 yen per share.

Overseas Sales Trends

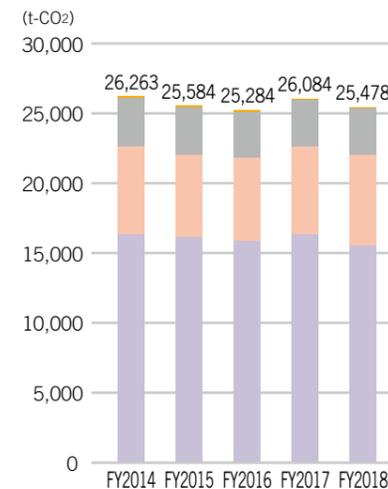


R&D Expense Trends

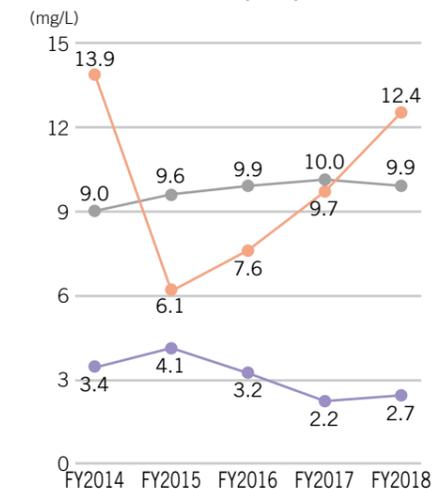


Non-financial Highlights (Non-consolidated Basis)

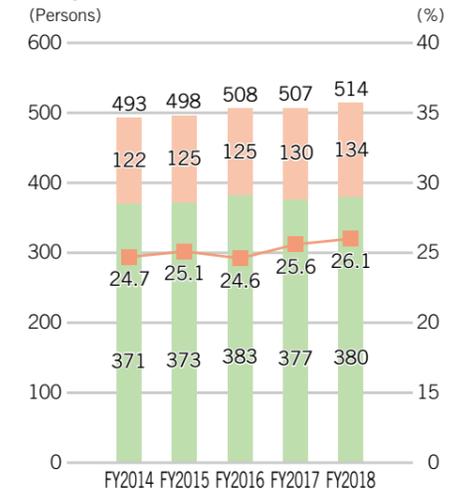
CO₂ Emissions



Water Pollution Load (COD)



Composition of Work Force

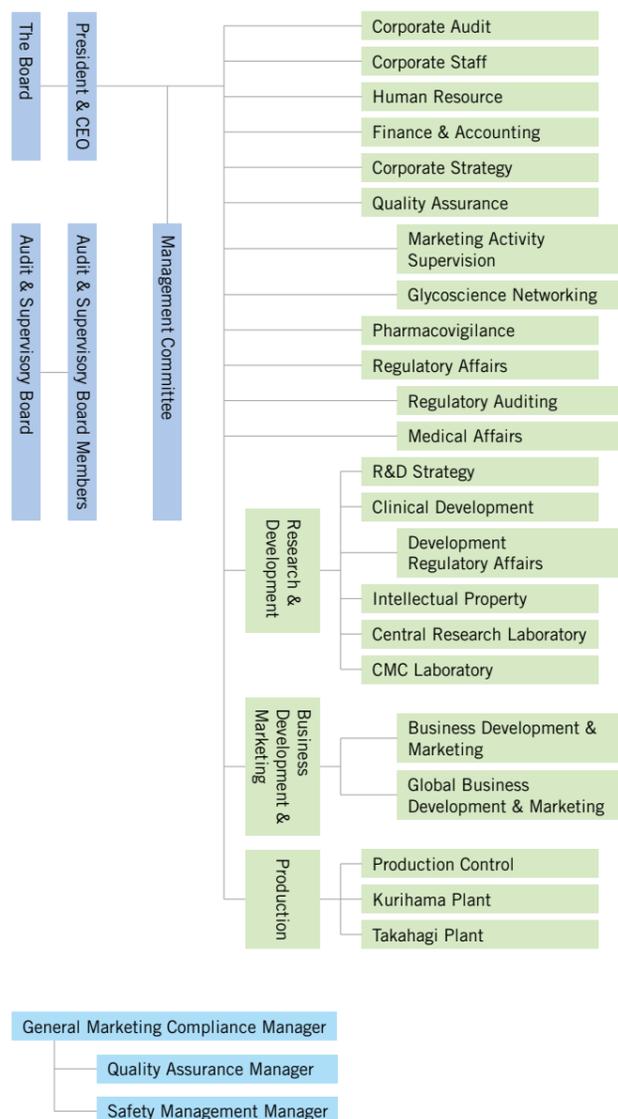


Legend for CO₂ Emissions: Takahagi Plant (purple), Kurihama Plant (orange), Central Research / CMC Laboratories (grey), Head Office (yellow).
 Legend for Water Pollution Load: Takahagi Plant (purple), Kurihama Plant (orange).
 Legend for Composition of Work Force: Males (green), Females (orange), Percentage of Female Employees (red).

Overview

Company Name	SEIKAGAKU CORPORATION
President	Ken Mizutani
Establishment	June 2, 1947
Business Activities	Manufacturing and sales of pharmaceuticals and medical devices specifically related to glycoconjugates
Fiscal Year	April 1 to March 31
Stock Exchange Listing	Tokyo Stock Exchange, First Section (Stock code: 4548)
URL	https://www.seikagaku.co.jp/en/
Number of Employees	744 (Consolidated) (As of March 31, 2019)
Paid-in Capital	¥3,840 million (As of March 31, 2019)
Net Sales	¥28,384 million (As of March 31, 2019)

Organization Chart (As of October 1, 2019)



Locations

Head Office	Marunouchi Center Building 6-1, Marunouchi 1-chome Chiyoda-ku Tokyo 100-0005, Japan Tel: (81) 3-5220-8950
Central Research Laboratory/ CMC Laboratory	1253, Tateno 3-chome Higashiyamato-shi Tokyo 207-0021, Japan Tel: (81) 42-563-5811
Kurihama Plant	3-1, Kurihama 9-chome Yokosuka-shi Kanagawa 239-0831, Japan Tel: (81) 46-835-3311
Takahagi Plant	258-5, Aza-Matsukubo Oaza-Akahama Takahagi-shi Ibaraki 318-0001, Japan Tel: (81) 293-23-1181

Major Subsidiary

ASSOCIATES OF CAPE COD, INC.
124 Bernard E. Saint Jean Drive, East Falmouth MA 02536-4445 U.S.A. Tel: (1) 508-540-3444
Paid-in Capital \$2,080
Ownership Ratio 100%
Business Manufacturing and sales of endotoxin-detecting reagents
URL https://www.acciusa.com

Stock Information (As of March 31, 2019)

Shares per Unit	100
Authorized Shares	234,000,000
Authorized Outstanding Shares	56,814,093
Number of Shareholders	10,295
General Shareholders' Meeting	June
Date of Record for Shareholders Eligible to Receive Dividends	March 31

Shareholder Registry Administrator

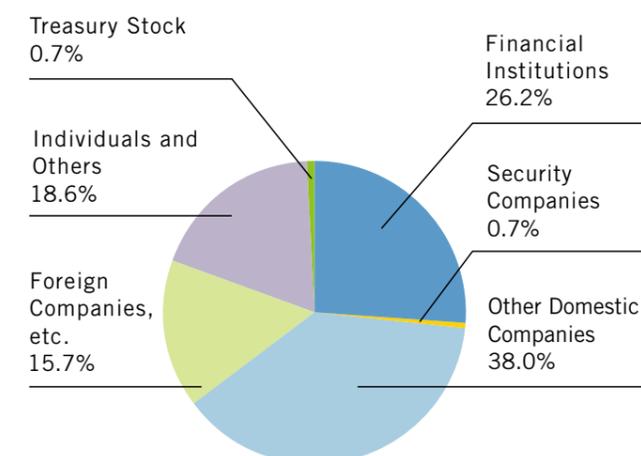
Mitsubishi UFJ Trust and Banking Corporation
 «Contact»
 Mitsubishi UFJ Trust and Banking Corporation
 Securities Agency Division
 PO Box 29, New Tokyo Post Office, Tokyo 137-8081
 Tel: 0120-232-711 (Domestic toll-free)

Major Shareholders (As of March 31, 2019)

Name of Shareholders	Number of Shares Held (Thousands of Shares)	Percentage of Outstanding Shares (%)
1 Shingyo KK	7,843	13.9
2 KK Kaiseisha	7,293	12.9
3 The Master Trust Bank of Japan, Ltd. (Trust account)	3,118	5.5
4 Japan Trustee Services Bank, Ltd. (Trust account 9)	2,043	3.6
5 Trust & Custody Services Bank, Ltd. as Trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co, Ltd.	1,973	3.5
6 MUFG Bank, Ltd.	1,536	2.7
7 Japan Trustee Services Bank, Ltd. (Trust account)	1,218	2.2
8 Kaken Pharmaceutical Co., Ltd.	1,207	2.1
9 The Bank of New York Mellon (International) Limited 131800	1,201	2.1
10 State Street Bank and Trust Company 505001	941	1.7

※ Treasury stock (410 thousand shares) is excluded from the calculations of the percentages above.

Breakdown of Shareholders by Type (As of March 31, 2019)



Corporate Logo



The main motif of Seikagaku's corporate logo is a chain, which symbolizes our decades-long commitment to sugar chain R&D. The closely interlocked links represents the strong bonds that exist between science and industry, between people and people, and between a rich natural environment and an enriching life. The links also symbolize Seikagaku's emphasis on partnership with society.

The overall shape of the logo as an oval stretched toward the upper right represents Seikagaku's corporate stance of aiming for infinite growth.

The blue brand color in the corporate logo symbolizes creativity and innovation, while the black projects an impression of strength.