

## **Seikagaku Announces Acquisition (Incorporation as a Subsidiary) of Dalton Chemical Laboratories, Inc. of Canada**

Seikagaku Corporation (Tokyo, Japan; "Seikagaku") announces that it has resolved at a Board of Directors meeting on February 21, 2020, through use of a special purpose acquisition company, to make a cash acquisition of all shares outstanding of Dalton Chemicals Laboratories, Inc., (Toronto, Canada; "Dalton") an unlisted company in Canada. Seikagaku and the shareholders of Dalton have concluded an agreement for this purpose, as described below.

### 1. Reason for the share acquisition

Dalton provides high-value-added, one-stop contract manufacturing services (CDMO)<sup>1</sup>, including the manufacturing of chemosynthesis products and active pharmaceutical ingredients (API) and API process development for pharmaceutical companies .

In its new mid-term management plan (fiscal 2019 to fiscal 2021), Seikagaku endeavors 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 for pharmaceutical companies.

By incorporating Dalton as a subsidiary, Seikagaku will obtain the chemosynthesis technology that Dalton has cultivated until now and its know-how related to the development of drug manufacturing processes, in addition to a GMP<sup>2</sup> -certified overseas drug manufacturing base. In the future, by utilizing the technology and know-how held by Dalton in its own drug discovery, Seikagaku will move to in-house manufacturing by Dalton of chemosynthesis products used for research and other purposes and which Seikagaku has produced by outsourced contract manufacturing. It will also proceed with the transfer to Dalton of the manufacturing of investigational drugs and some of Seikagaku's pharmaceutical products. These actions will enable Seikagaku to accelerate drug discovery and to lower its costs as a result of production optimization and efficiency improvements. In addition, Dalton will be able to expand its CDMO business.

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. GMP: Good Manufacturing Practice.

Production control and quality control standards required by the pharmaceutical manufacturing industry and manufacturer-distributors.

## 2. Overview of Dalton Chemical Laboratories, Inc.

(1)	Name	Dalton Chemical Laboratories, Inc.		
(2)	Location	Toronto, Ontario Province, Canada		
(3)	Name of Representative	Peter Pekos, CEO		
(4)	Business description	CDMO <sup>1</sup> business		
(5)	Capital	CAD 90		
(6)	Established	1986		
(7)	Relationship between listed companies and the subject company	Capital relationship	None	
		Personal relationship	None	
		Trading relationship	None	
(8)	Business performance and financial position of the subject company for the previous three years (units: CAD 1,000)			
	Fiscal year	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

\* Dalton Chemical Laboratories, Inc. (URL: <https://www.dalton.com/>)

## 3. Outline of the counterparties to the share acquisition

Details of the counterparties to the share acquisition are omitted because they are individuals. There is no capital relationship, personnel relationship or business relationship that should be described between the counterparties and our company.

## 4. Number of shares to be acquired, acquisition price, and status of shares held before and after the acquisition

(1)	Percentage of voting rights of shares before the change	0%
(2)	Acquisition cost	Up to CAD 41 million
(3)	Percentage of voting rights of shares after the change	100%

## 5. Schedule

(1)	Board of Directors resolution	February 21, 2020
(2)	Conclusion of agreement	February 28, 2020
(3)	Share transfer date	Mid-to-late March, 2020 (planned)

## 6. Effect on forecasts of consolidated financial results

Financial results forecasts for the fiscal year ending March 31, 2020 remain unchanged as the impact of this matter on the consolidated results for the fiscal year ending March 31, 2020 is not significant.

### <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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