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## **Fuso Chemical will Acquire Chemicals Business of Fujisawa**

Japan, October 16, 2003 - Fuso Chemical Co., Ltd. (headquartered in Osaka, President; Toshikuni Shiraishi) and Fujisawa Pharmaceutical Co., Ltd. (headquartered in Osaka and Tokyo, President; Hatsuo Aoki, Ph.D.) today announced that they have just signed the agreements whereby Fuso Chemical will acquire the chemicals business of Fujisawa. The closing is scheduled on December 26, 2003.

Fuso operates “Life science business” which manufactures and markets fruit acids such as malic acid, citric acid and their salts, “Electronic material business” manufacturing and marketing super-high purity colloidal silica, etc, and “Functional chemical product business” manufacturing and marketing resin additives. Of these, Fuso has been expanding its Life science business as the only producer having a comprehensive line of fruit acid products in the world.

Fujisawa, with the full range of capabilities from product development, manufacturing, to marketing and exports, operates the chemicals business with bases in Japan and the U.S. Manufacturing of the chemical products such as sodium gluconate and sodium erythorbate are made at its domestic chemical plant located in Aichi Prefecture and its wholly-owned subsidiary PMP Fermentation Products, Inc., located in Peoria, IL, U.S. For the year ended March 2003, sales of the chemicals business in Japan were 4,879 million yen and PMP recorded sales of US \$ 27.2 million with the operating income of US\$ 152 thousands. Although the main chemical products hold a top share in their respective world markets, Fujisawa has been pursuing

strategic alternatives for this business, including its transfer to a third party because it has been focusing on its core ethical pharmaceuticals business.

Because markets are common in Fujisawa's chemicals business and Fuso's Life science business, Fuso expects positive and synergistic effects on its Life science business, such as increased sales and market shares, expanded sales channels, and reinforced technology base, by the acquisition of Fujisawa's chemicals business. Therefore, the two companies have agreed that the transfer of Fujisawa's chemical business to Fuso will serve the best interests of the both.

The chemicals business subject to the transfer to Fuso is as follows:

- tangible and intangible assets related to the chemicals business in Japan (inventories, manufacturing technologies and know-how, various intellectual proprietary rights and trade secrets, etc.),
- All the stock of PMP Fermentation Products, In.

Fujisawa will retain its domestic chemical plant located in Aichi Prefecture and will supply Fuso with chemicals products manufactured at the plant on a contract basis for a fixed term.

While financials terms are not disclosed, Fujisawa expects extraordinary loss of 3.5 billion yen on a consolidated basis and 6.8 billion yen on a non-consolidated basis, respectively, for the fiscal year ending March 2004, with regard to the transfer of the chemicals business. Those amounts will be reserved in the interim financial period ended September 2003.

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