

December 8, 2003
Shionogi & Co., Ltd.

Basic Agreement on Transfer of Manufacturing Operations for Agrochemical and Animal Health Products

Shionogi & Co., Ltd. (“Shionogi”) [Motozo Shiono, President] and Hayashi Kasei Co., Ltd. (“Hayashi Kasei”) [Hisatsugu Hayashi, President] have reached a basic agreement to transfer Shionogi’s manufacturing operations for agrochemicals and animal health products at its Akoh Plant to Hayashi AgroScience Co., Ltd. (“Hayashi AgroScience”), a new wholly owned subsidiary of Hayashi Kasei.

Shionogi is strengthening its focus on the ethical drug business, a primary objective of its medium-term management plan formulated in 2000. In accordance with this objective, Shionogi established joint ventures with other companies and transferred its agrochemical and animal health products businesses to the joint venture companies. However, Shionogi has maintained its manufacturing operations in each business even after the business transfers, carrying out consignment production for the joint venture companies. Under the agreement, Hayashi AgroScience will take over these manufacturing operations from Shionogi as of April 1, 2004.

Employees involved in the agrochemical and animal health products manufacturing operations that Shionogi conducts at the Akoh Plant will be given the choice of transferring to another division or business site, accepting employment with Hayashi AgroScience, or applying for outplacement support.

(For Reference)

Hayashi Kasei Co., Ltd.

Head Office: 1-2-7 Tenjinbashi, Kita-ku, Osaka

Business areas: Manufacturing and wholesale distribution of inorganic chemicals, food additives and other chemical products.

Representative: Hisatsugu Hayashi, President and Representative Director

Employees: 52

Net sales: 7.7 billion yen (year ended December 2002)

[For Further Information]

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