



## NEWS RELEASE

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15th December, 2005

### Announcement on merger of a subsidiary

The Board of Dai-ichi Kogyo Seiyaku Co., Ltd. (Dai-ichi Kogyo Seiyaku) has resolved to absorb a subsidiary Dai-ichi FR Co., Ltd. (Dai-ichi FR) which deals with flame retardants in the Board Meeting on the 15th December, 2005. The merger will be carried out according to “simplified merger”<sup>1</sup> procedures.

The details are given below.

#### 1. Aim of the merger

The initial aim of establishing Dai-ichi FR has been to restructure the group’s flame retardant business in the situation at the time where globalization was in progress and market competition was getting severer. Now that this aim has been achieved and its flame retardant business is expected to stably grow and expand, it is going to be absorbed to Dai-ichi Kogyo Seiyaku so that the group can further strengthen and expand the business by its full potential.

#### 2. Summary of the merger

##### 1) Schedule of the merger

|   |                              |
|---|------------------------------|
| Board meeting approval of the contract of merger:           | 15th December, 2005          |
| Conclusion of the contract of merger:                       | 15th December, 2005          |
| Shareholders meeting for approval of the contract of merger |                              |
| Dai-ichi Kogyo Seiyaku:                                     | Not to be held <sup>2</sup>  |
| Dai-ichi FR:  | 11th January, 2006           |
| Date of the merger:   | 1st March, 2006              |
| Registration of the merger:                                 | 1st March, 2006 (as planned) |

##### 2) Form of the merger

Dai-ichi FR is to be dissolved in the form of absorption by Dai-ichi Kogyo Seiyaku.

##### 3) Other information

The merger is with a 100%-owned subsidiary and thus there will be no issuance of new shares and no money delivery due to the merger.

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<sup>1</sup> Simplified merger: According to the Article 413-3 of the Commercial Law of Japan, the merger is to be done without obtaining an approval for the contract of merger at the shareholders meeting of Dai-ichi Kogyo Seiyaku.

<sup>2</sup> See 1 above.

3. Outline of the companies involved in the merger (as of 30 September, 2005)

|  |  |   |
|--|--|---|
| (1) Trade name                               | Dai-ichi Kogyo Seiyaku Co., Ltd.<br>(surviving company)  | Dai-ichi FR Co., Ltd.<br>(mergee)   |
| (2) Description of business                  | Manufacturing and sales of surfactants, amenity materials, urethane materials, functional materials and electronic device materials etc.                 | Manufacturing and sales of flame retardants and other plastic additives                         |
| (3) Date of establishment                    | 25 August, 1918  | 1 October, 2002   |
| (4) Address of head office                   | 55 Nishi-shichijo<br>Higashi-kubocho, Shimogyo-ku,<br>Kyoto  | 12-1 Nihonbashi 3-chome,<br>Chuo-ku, Tokyo  |
| (5) Representative                           | TSUDA Akihiro, president   | TSUTSUMI Eijiro, president  |
| (6) Capital                                  | JPY 5,985,000,000  | JPY 450,000,000   |
| (7) Number of outstanding shares             | 35,650,861   | 9,000   |
| (8) Shareholders' equity                     | JPY 13,414,000,000   | JPY 613,000,000   |
| (9) Gross asset                              | JPY 37,515,000,000   | JPY 1,151,000,000   |
| (10) Settlement of accounts                  | 31 March   | 31 March  |
| (11) Number of employees                     | 663<br>(excluding workers at Dai-ichi FR)  | 4<br>(All dispatched from Dai-ichi Kogyo Seiyaku)   |
| (12) Clients                                 | Hika & Co., Ltd.<br>Shiraishi Co., Ltd.<br>etc.  | Korea Kumho Petrochemical Co., Ltd.<br>Toyo Styrene Co., Ltd.<br>Toray Industries, Inc.<br>etc. |
| (13) Major shareholders & shareholding ratio | The Dai-ichi Mutual Life Insurance Company 8.60%<br>Asahi Life Insurance Co. 4.76%<br>Mizuho Corporate Bank, Ltd. 4.17%<br>The Bank of Kyoto, Ltd. 4.12% | Dai-ichi Kogyo Seiyaku Co., Ltd. 100.0%   |
| (14) Line banks                              | Mizuho Corporate Bank, Ltd.<br>The Bank of Kyoto, Ltd.<br>Resona Bank, Ltd.  | Mizuho Corporate Bank, Ltd.<br>The Bank of Kyoto, Ltd.  |

| (15) Performances for the last 3 fiscal years |                                  |            |            |                       |            |            |
|---|----------------------------------|------------|------------|-----------------------|------------|------------|
|   | Dai-ichi Kogyo Seiyaku Co., Ltd. |            |            | Dai-ichi FR Co., Ltd. |            |            |
| Settlement of accounts                        | March 2003                       | March 2004 | March 2005 | March 2003            | March 2004 | March 2005 |
| Sales (mill. yen)                             | 32,549                           | 32,118     | 32,736     | 845                   | 1,469      | 1,863      |
| Operating income (mill. yen)                  | 523                              | 608        | 861        | 4                     | 15         | 163        |
| Ordinary income (mill. yen)                   | 548                              | 582        | 882        | 3                     | 8          | 165        |
| Term's net income (mill. yen)                 | - 246                            | 296        | 393        | 2                     | 3          | 103        |
| Term's net income per share (yen)             | - 7.36                           | 9.05       | 12.06      | 284.79                | 349.97     | 11,514.54  |
| Dividend per share (yen)                      | 3.00                             | 5.00       | 6.00       | -                     | -          | 4,375.00   |
| Shareholders' equity per share (yen)          | 355.37                           | 374.19     | 378.30     | 50,284.79             | 50,733.80  | 61,372.69  |

Notes: Figures below million have been rounded down.

The performance of Dai-ichi FR for the fiscal year which ends in March 2003 is for the six months period from October 2002 to March 2003.

#### 4. Post-merger integration

- 1) Trade name: Dai-ichi Kogyo Seiyaku Co., Ltd.
- 2) Description of business: Manufacturing and sales of surfactants, amenity materials, urethane materials, functional materials and electronic device materials etc.
- 3) Address of head office: 55 Nishi-shichijo Higashi-kubocho, Shimogyo-ku, Kyoto
- 4) Representative: TSUDA Akihiro, president
- 5) Capital: No capital increase occurs due to the merger.
- 6) Gross asset: The influence of the merger on the gross asset is minor.
- 7) Settlement of account: 31st March
- 8) Influence on performance: The influence of the merger on the company performance is minor.