

September 17, 2001

To: Parties Concerned

Company : Taisho Pharmaceutical Co., Ltd.
Representative: Akira Uehara, President
(Code : 4535, First Section of TSE)
Contact : Takashi Shibata, Manager of
Public Relations
Phone : 03-3985-1115

Company : Tanabe Seiyaku Co., Ltd.
Representative: Toshio Tanaka, President and
CEO, Representative Director
(Code : 4508, First Sections of TSE, OSE
and NSE, and FSE and SSE)
Contact : Eisaku Nakazawa, Manager of
Public Relations
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Announcement of Business Consolidation by Stock Transfer

We hereby announce that Taisho Pharmaceutical Co., Ltd. and Tanabe Seiyaku Co., Ltd. have reached a basic agreement to establish, on equal footing, a joint holding company by transferring their respective stocks to such holding company so as to unify the management of the two companies and consolidate the businesses; and that, upon approval by the respective Boards of Directors a Memorandum on Joint Stock Transfer between Taisho Pharmaceutical and Tanabe Seiyaku was executed on September 17, 2001.

1. Concept and Purpose of Business Consolidation by Stock Transfer

For swift response to intensifying competition in the pharmaceutical industry, to advances in scientific technologies such as genome-information-based drug development, and to rapid changes in the business environment, Taisho Pharmaceutical Co., Ltd. and Tanabe Seiyaku Co., Ltd. agreed it best for them to consolidate their businesses, thereby enabling their future growth as a competitive corporate group.

The new company to be established by said consolidation will seek to become a global company specializing in prescription pharmaceuticals and self-medication business, focusing on the basic philosophy of “contributing to the enhancement of healthy and fulfilling lives for people throughout the world by providing medicines and medicine-related businesses, information and services.”

To this end, a new holding company will be established by April 2002. In October of the same year, the prescription pharmaceutical business (including R&D and marketing functions) of Taisho Pharmaceutical will be consolidated into the business of Tanabe Seiyaku, while the over-the-counter medicine business of Tanabe Seiyaku will be consolidated into the business of Taisho Pharmaceutical. The aim of this consolidation is to reorganize their businesses into the two companies, each to focus on a specific area. By mutually complementing their R&D and marketing abilities, and by consolidating their businesses at an early stage, the two companies will achieve securer and more efficient management, while enhancing their profitability and R&D. The holding company will appropriately allocate business resources to each of its subsidiaries, the more actively to maximize shareholder value.

2. Conditions of Stock Transfer

(1) Stock Transfer Schedule (tentative)

September 17, 2001	Meeting of Board of Directors of each company to approve the Memorandum on Stock Transfer (Execution of Memorandum of Stock Transfer)
Mid-November 2001	Meeting of Board of Directors of each company to approve the Stock Transfer Agreement (Execution of Stock Transfer Agreement)
Mid-January 2002	General meeting of stockholders of each company to approve the stock transfer
March 31, 2002	Date of stock transfer (Date of joint holding company stock listing on stock exchanges)
April 1, 2002	Date of stock transfer (Date of joint holding company incorporation registration in trade register)

The above schedule may be changed upon mutual consultation between the companies, if any unavoidable situation occurs in the course of stock transfer.

(2) Ratio of Stock Transfer

Company	Taisho Pharmaceutical	Tanabe Seiyaku
Ratio of Stock Transfer	1	0.55

(Notes)

1. Ratio of stock transfer

One share of Taisho Pharmaceutical Co., Ltd. will be exchanged for one share in the new holding company, and one share of Tanabe Seiyaku Co., Ltd. will be exchanged for 0.55 shares in the new holding company. In accordance with the “Law Concerning Partial Revision of the Commercial Law etc.” announced on June 29, 2001, the par value stock system will be abolished and a new unit stock system will be introduced. Accordingly, the exact number of shares to be issued under this stock transfer will be announced as soon as the details are determined.

2. Basis for stock transfer ratio calculation

The Bank of Tokyo-Mitsubishi Ltd., an independent organization, calculated the stock transfer ratio for this transaction. Based on the results of said calculation, the two companies agreed to exchange their respective stock in the ratio mentioned above (1:0.55) for stock in the new holding company.

The aforementioned stock transfer ratio may be modified upon mutual consultation between the companies, if a material change occurs in the assumptions and conditions used for the calculation.

3. Basis for calculation by the independent organization

The Bank of Tokyo-Mitsubishi, Ltd. calculated the stock transfer ratio for this transaction based on the market stock price method, the net asset market price method and the discounted cash flow (DCF) method.

(3) Payment upon stock transfer

No payment will be made under this stock transfer.

(4) Application for listing of the new holding company

Promptly after joint holding company incorporation, an application will be submitted for listing on the Tokyo Stock Exchange and Osaka Securities Exchange.

The date of listing will be determined in accordance with the rules of the respective stock exchange. The date of listing is expected to be March 31, 2002, the date on which the stocks should be transferred to the holding company.

Upon said transfer, the exchange listing of Taisho Pharmaceutical and Tanabe Seiyaku stocks will be discontinued on March 26, 2002.

(5) Outline of Companies Participating in Stock Transfer (As of March 31, 2001)

(1) Trade Name	Taisho Pharmaceutical Co., Ltd.	Tanabe Seiyaku Co., Ltd.
(2) Business Description	Ethical drug, OTC drug, Quasi-drug, Cosmetics, Food, Goods and so on (Manufacturing, Sales and Export/imports)	Ethical drug, OTC drug, Quasi-drug, Veterinary drug, Fine chemicals and so on (Manufacturing, Sales and Export/imports)
(3) Date of Incorporation	May 1928 (established 1912)	December 1933 (established 1678)
(4) Location of Head Office	24-1, Takata 3-chome, Toshima-ku, Tokyo	2-10, Dosho-machi 3-chome, Chuo-ku, Osaka
(5) Representative Name	Akira Uehara, President	Toshio Tanaka, President and CEO, Representative Director
(6) Capital Fund	¥29,804 million	¥34,310 million
(7) Issued Shares (per value)	340,965,510 shares (per value: ¥50)	242,081,963 shares (per value: ¥50) ^(Note 1)
(8) Shareholder Equity	¥467,601 million	¥149,397 million
(9) Total Assets	¥573,612 million	¥273,357 million
(10) Annual Closing of Accounts	March 31	March 31
(11) Employees	5,026 employees	5,057 employees
(12) Major Customers	Suzuken Co., Ltd., Kuraya Sanseido Inc., Toho Pharmaceutical Co., Ltd., and pharmacies, drug stores, convenience stores, supermarkets and other retailers throughout Japan	Toho Pharmaceutical Co., Ltd., Kuraya Sanseido Inc. and Suzuken Co., Ltd.
(13) Major Shareholders and Their Holding Percentage (as of March 31, 2001)	Uehara Memorial Foundation 12.61% Shoji Uehara 10.74% The Bank of Tokyo- Mitsubishi Ltd. 4.99% The Sumitomo Bank, Ltd. 4.99% Sumitomo Chemical Co., Ltd. 3.84%	Nippon Life Insurance Co. 9.16% Japan Trustee Service Bank, Ltd. 8.80% The Dai-ichi Mutual Life Insurance Co. 4.41% The Dai-ichi Kangyo Bank, Ltd. 4.41% The Tokai Bank, Ltd. 4.16%
(14) Major Banks	The Bank of Tokyo-Mitsubishi Ltd. Sumitomo Mitsui Banking Corporation	The Sanwa Bank, Ltd. The Tokai Bank, Ltd. The Dai-ichi Kangyo Bank, Ltd. The Bank of Tokyo-Mitsubishi Ltd.

(Note 1) 267,597,847 shares as of June 28, 2001

(15) Operational Results for Last Three Years and Estimate for FY 2001

(Millions of yen)

Fiscal Year	Taisho Pharmaceutical Co., Ltd.				Tanabe Seiyaku Co., Ltd.			
	FY 1998 ending March 1999	FY 1999 ending March 2000	FY 2000 ending March 2001	Estimates for FY 2001 ending March 2002	FY 1998 ending March 1999	FY 1999 ending March 2000	FY 2000 ending March 2001	Estimates for FY 2001 ending March 2002
Net Sales	231,876	275,250	274,396	281,000	190,559	185,098	194,027	190,000
Operating Income	60,266	84,052	66,591	64,400	17,478	20,354	30,400	31,000
Ordinary Income	64,764	89,845	73,826	70,200	17,728	21,000	29,583	31,500
Net Income	29,567	50,754	31,269	39,700	2,410	4,068	3,062	17,500
Net income per share (full yen)	85.58	147.32	91.41	116.48	9.96	16.82	12.79	65.39
Dividend per share (full yen)	20	25	25	25	7.5	7.5	7.5	10
Shareholders' equity per share (full yen)	1,142.52	1,285.55	1,371.99		586.83	603.55	623.64	

3. Outline of New Company (Joint Holding Company)

- (1) Trade Name : Taisho Tanabe Pharma Group Co., Ltd. (tentative)
- (2) Business Description : Management of subsidiaries and other incidental businesses
- (3) Location of Head Office : Toshima-ku, Tokyo (tentative)
- (4) Directors and Auditors : As presently planned, Toshio Tanaka, current President of Tanabe Seiyaku Co., Ltd. will assume the office of Representative Director and Chairman of the holding company; and Akira Uehara, current President & CEO, Representative Director of Taisho Pharmaceutical Co., Ltd., will assume the office of Representative Director and President of the holding company. In principle, half the Board of Directors of the holding company shall be appointed by the recommendation of Taisho Pharmaceutical and half by the recommendation of Tanabe Seiyaku. In addition, Shoji Uehara, current Chairman of Taisho Pharmaceutical, will assume the office of Director and Honorary Chairman of the holding company. Auditors will be appointed upon mutual consultation between the two companies.
- (5) Capital Fund : To be determined upon mutual consultation between the two companies.
- (6) Shares to Be Issued : To be determined upon mutual consultation between the two companies.
- (7) Annual Closing of Accounts: March 31 each year
- (8) Prospect after Incorporation: To be communicated upon determination of transaction and business operation details.