

August 9, 2002

Taisho Pharmaceutical Co., Ltd.

Toyama Chemical Co., Ltd.

## Taisho and Toyama Agree to Enter Capital and Business Alliance

Taisho Pharmaceutical Co., Ltd. (Head office: Toshima-ku, Tokyo, President: Mr. Akira Uehara) (hereinafter referred to as “Taisho”) and Toyama Chemical Co., Ltd. (Head office: Shinjuku-ku, Tokyo, President: Mr. Katsuhiko Nakano) (hereinafter referred to as “Toyama”) jointly announced today that they have agreed on a capital alliance and a strategic collaboration in the prescription pharmaceutical business. The board meetings on August 9 in both companies have agreed to this alliance, and the letter of intent has been signed. The detailed information will be disclosed when it is decided.

### 1. Outline of the alliance

#### (1) Taisho’s acquisition of Toyama’s shares

Taisho will gain approximately 20% of Toyama’s shares, through the acceptance of Toyama’s allocation of shares to a third party. Through the capital alliance, both companies will strengthen their partnership in order to maximise the investment effectiveness in research and development. Subsequently, Taisho plans to expand its prescription pharmaceutical business and Toyama plans to grow as a company dedicated to research and development.

#### (2) Collaboration in research and development

Taisho and Toyama anticipate expanding their new product pipeline in the prescription pharmaceutical area through the collaboration in R&D activities. The companies plan to share R&D infrastructures, for instance, compound libraries, overseas R&D centers, clinical study site management and R&D staff.

#### (3) Strengthening Sales and Marketing Organization

Taisho and Toyama jointly establish a sales and marketing company in domestic prescription pharmaceutical business. Taisho’s sales and marketing division for prescription drugs (approximately 500 sales representatives) and Toyama’s sales and marketing division (approximately 500 sales representatives) will combine to form the new company of approximately 1,000 medical representatives. The new company will carry out the sales and promotional functions for existing products and new drugs.

<New company profiles (plan)>

- i) Name : Taisho Toyama Pharmaceutical Co., Ltd.
- ii) Address of Head Office : 25-1, Takada 3-Chome, Toshima-ku, Tokyo
- iii) Chairman : Mr. Katsuhiko Nakano, (Toyama, President and CEO)  
President : Mr. Akira Uehara (Taisho, President)
- iv) Capital : TBD
- v) Controlling Share : 55:45 (Taisho:Toyama)
- vi) Employees : Approximately 1,300
- vii) Business description : Sales and promotion of prescription drugs.

(4) First refusal rights in Japan for new products developed by the other party  
Regarding to the other party's new drug candidates(including new drugs currently undergoing development) in specific therapeutic areas, Taisho and Toyama will hold first refusal rights in Japanese market.

(5) Overseas operations

Taisho and Toyama will partially collaborate in expanding overseas operations in order to explore new therapeutic areas.

2. Aim of the alliance

Toyama's strength in R&D is for antibacterial agents, and new quinolone antibacterial agent T-3811, currently undergoing clinical trials, is expected to be launched in 2006 for oral formulation, and 2007 to 2008 for injectable formulation, in Japan. Also, Toyama has new drugs in its pipeline such as T-588 (a drug for the treatment of Alzheimer's disease). Through this alliance with Taisho, Toyama expects to enhance its R&D and domestic sales activities.

Taisho has been focusing in expanding its prescription pharmaceutical business, through creating its own NCEs and working in collaboration with bio-venture companies. In addition to the above mentioned efforts, collaborative R&D and sales systems that will be available through this alliance with Toyama will help to further expand Taisho's prescription pharmaceutical business.

3. Schedule hereafter

Acquisition of new shares : September 2002 (target)  
 Establishment of the new company : October 2002 (target)  
 Commencement of operations : As soon as necessary approvals are acquired from the authorities.

Company Profiles (Consolidated financial settlement base)

(1) Corporate Name	Taisho Pharmaceutical Co., Ltd.		Toyama Chemical Co., Ltd.	
(2) Description of Business	Manufacture and market pharmaceutical products		Manufacture and market pharmaceutical products	
(3) Date of Establishment	May, 1928		November, 1936	
(4) Head Office	24-1, Takada 3-chome, Toshima-ku, Tokyo, Japan		2-5, Nishishinjuku 3-chome, Shinjuku-ku, Tokyo, Japan	
(5) Representative	President Akira Uehara		President & CEO Katsuhiko Nakano	
(6) Capital Stock	¥29,804 million		¥12,976 million	
(7) Number of outstanding stocks	340,965,510 shares		153,766,182 shares	
(8) Shareholders' equity	¥486,882 million		¥23,568 million	
(9) Total Assets	¥590,036 million		¥85,686 million	
(10) Net Sales	¥271,397 million		¥28,345 million	
(11) Fiscal year end	March		March	
(12) Number of Employees	4,894		1,662	
(13) Major Shareholders	Uehara Memorial Foundation	43,000,000 shares (12.61%)	The Hokuriku Bank, Ltd.	7,487,000 shares (4.86%)
	Shoji Uehara	36,614,000 shares (10.74%)	Sumitomo Mitsui Banking Corporation	7,487,000 shares (4.86%)
	Sumitomo Mitsui Banking Corporation	17,000,000 shares (4.99%)	Lombard Odier Et Cie (Standing proxy, The Bank of Tokyo-Mitsubishi, Ltd.)	7,350,000 shares (4.77%)
	The Bank of Tokyo-Mitsubishi, Ltd.	17,000,000 shares (4.99%)	Taisei Corporation	4,699,000 shares (3.05%)
	Sumitomo Chemical Co., Ltd.	12,100,000 shares (3.55%)	The Chuo Mitsui Trust & Banking Co., Ltd. (Trust account)	4,350,000 shares (2.82%)