

September 9, 2002

To Whom It May Concern

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Taisho Pharmaceutical Signs the Contract of Alliance with Toyama Chemical

Taisho Pharmaceutical Co., Ltd. (hereinafter referred to as “Taisho”) held its board meeting on September 9, and agreed on the capital alliance and the strategic collaboration in sales and R&D with Toyama Chemical Co., Ltd. (hereinafter referred to as “Toyama”) in the prescription pharmaceutical business as stipulated in the letter of intent concluded with Toyama on August 9. Taisho signed the contract of alliance and the agreement between shareholders of the two companies on the establishment of a sales and marketing company.

1. Aim of the alliance

Taisho and Toyama will strengthen the marketing activities of the new sales and marketing company that they jointly establish through centralization of their marketing resources in the new company. Besides, We maximize the investment effectiveness in research and development through cooperation in the R&D area. Based on the above contract of alliance, Taisho accepts Toyama’s allocation of new shares to a third party and becomes Toyama’s largest shareholder. Through the capital alliance, the two companies expect to enhance their cooperative relations to make them grow remarkably.

2. Contents of the alliance

1) Acquisition of Toyama’s stocks

Acquisition method:	Taisho accepts Toyama’s allocation of new shares to a third party.
Number of Acquired stocks:	43,000,000 Common stocks (22% of all outstanding stocks after the allocation of new shares to a third party is carried out.)
Issuing price:	¥434/share
Due date of payment:	September 25, 2002
Method of determining issuing price:	The issuing price, ¥434, was decided on the basis of ¥479.65, the average of final trading prices of a Toyama’s stock in Tokyo Stock Exchange for the latest one month before the business day when Toyama’s board meeting agreed to issue new stocks, taking the discount rate of 9.52% into consideration.

With this capital increase, Taisho will apply equity method to Toyama.

2) Establishing a sales and marketing company in domestic prescription pharmaceutical business

Taisho and Toyama jointly establish a sales and marketing company in domestic prescription pharmaceutical business. With the commencement of the business, the new company will carry out the sales and promotional functions for existing products. Besides, it will hold the first refusal rights in Japanese market for new drugs to be developed by Taisho and Toyama.

<Outline of the new sales and marketing company>

Corporate name:	Taisho Toyama Pharmaceutical Co., Ltd.
Representative:	
Chairman	Katsuhiko Nakano (Toyama, President and CEO)
President	Akira Uehara (Taisho, President)
Address of Head Office:	25-1, Takata 3chome, Toshima-ku, Tokyo
Establishment:	October 2002
Business Description:	Sales and promotion of prescription drugs
Fiscal year end:	March
Employees:	Approximately 1,300 (includes 1,000 of Medical Representatives) All the 1,300 people are transferred personnel for the time being.
Paid-in capital:	¥ 500 millions
Shareholders' equity:	¥ 1 Billions
Shares Outstanding:	10,000 shares
Shareholders:	Taisho Pharmaceutical (5,500 shares; 55%) Toyama Chemical (4,500 shares; 45%)
Start of Operation:	April 2003

Sales Estimates (¥ Billion):

	FY2003	FY2004	FY2004
Sales	¥95.0	¥105.0	¥120.0

(Major products and sales, ¥ Billion)

<Taisho>	(FY 2001 Sales)	<Toyama>	(FY 2001 Sales)
Clarith	¥25.9	Tomiron	¥7.3
Palux	¥17.2	Pentcillin	¥6.9
Lorcam	¥ 3.4	Ozex	¥5.3

Activities of the new company will be devoted only to co-promotion of some products between the commencement of business and March 31, 2003, because the period is designed for making preparations and obtaining necessary licenses. Prospects of profits of the new company will be disclosed as soon as they are decided.

3) Constructing collaboration in research and development activities in the prescription pharmaceutical business

- i) Collaboration in research and development activities
- ii) Sharing research and development staff
- iii) Sharing compound libraries, overseas R&D centers, clinical study site management
- iv) Sharing the first refusal rights on the acquisition of the right of joint development in specific therapeutic areas

The detailed information will be decided by contracts to be concluded hereafter.

4) Alliance in overseas prescription pharmaceutical business

Taisho and Toyama will partially collaborate in expanding overseas operations in order to explore new therapeutic areas. The detailed information will be decided by contracts to be concluded hereafter.

3. Schedule hereafter (tentative)

September 25, 2002	Toyama's allocation of new shares to a third party is carried out.
October 2002	Establishment of the new sales and marketing company (Taisho Toyama Pharmaceutical Co., Ltd.)
April 2003	Business commencement of the new sales and marketing company

4. Moves of subsidiaries

The new sales and marketing company will be Taisho's consolidated subsidiary. Please refer to 2.(2) of the above for the outline of the new company.

5. Prospects hereafter (effects that the alliance brings to Taisho)

The alliance with Toyama is estimated to bring small amount of effect to Taisho's consolidated results of the current fiscal year because the new company is scheduled to commence business in April 2003 and because Toyama's expected profits of the current fiscal year are ¥100 million. Prospects after the fiscal year ending March 2004 will be disclosed as soon as they are available.

<Outline of Toyama Chemical (As of March 31, 2002)>

Business Activities:	Manufacture and sale of pharmaceuticals, industrial chemicals, consumer products, foodstuffs and beverages
Established:	November 1936
Head Office:	2-5, Nishishinjuku 3-chome, Shinjuku-ku, Tokyo 160-0023, Japan
Representative:	Katsuhiko Nakano, President and CEO
Paid-in Capital:	¥12,976 million
Number of Employees:	1,662
Shares Outstanding:	153,766,183 shares
Major Shareholders:	The Hokuriku Bank, Ltd. (4.86%) Sumitomo Mitsui Bank (4.86%) Lombard Odier Et Cie (4.77%) (Standing proxy, The Bank of Tokyo-Mitsubishi, Ltd.) Taisei Corporation (3.05%) The Mitsubishi Trust & Banking Corporation (2.82%)

Recent Business Results (¥ Million, Consolidated basis)

	FY2000	FY2001
Sales	36,672	28,345
Gross Profit	22,808	16,837
Operating Profit	-1,514	-3,148
Recurring Profit	-2,422	-3,937
Net Profit	-2,777	-2,664
Total Asset	91,434	85,686
Shareholders' Equity	24,949	23,568
Dividend per Share (Yen)	0	0