

February 2, 2007

Press Release

Tanabe Seiyaku Co., Ltd.
Mitsubishi Pharma Corporation

Tanabe Seiyaku Co., Ltd. and Mitsubishi Pharma Corporation Enter into A Basic Agreement to Merge on October 1, 2007

Tanabe Seiyaku Co., Ltd. (Natsuki Hayama, President & Representative Director; hereinafter “Tanabe Seiyaku”), Mitsubishi Pharma Corporation (Takeshi Komine, President & Representative Director; hereinafter “Mitsubishi Pharma”) and Mitsubishi Chemical Holdings Corporation (Ryuichi Tomizawa, President & Representative Director, hereinafter “Mitsubishi Chemical Holdings”) have reached an agreement in principle on the proposed merger between Tanabe Seiyaku and Mitsubishi Pharma on October 1, 2007. Each of the respective party’s Board of Directors approved the basic agreement executed today. We are pleased to announce the following basic conditions of the proposed merger:

1. Background, Objective and Effects of the Merger

(1) Background of the Merger

- The pharmaceutical industry is one of the most important industries for supporting Japanese economic growth through responses to the increased medical needs in an aging population and progress of technological innovations of life science.
- At the same time, penetration of medical cost reduction policy may drive out pharmaceutical companies that lag behind in terms of global competitiveness.

(2) Purpose of the Merger

Considering the business environment, the companies are currently pursuing the following basic strategies:

Tanabe Seiyaku:

- Accelerate R&D of in-house, original products.
- Take on the challenges of business and growth opportunities by meeting[that meet] medical needs.

Mitsubishi Pharma:

- Reinforce overseas business infrastructure.
- Build a distinctive corporate group that contributes to personalized medicines through a convergence with diagnosis and testing technologies in collaboration with Mitsubishi

Chemical Group.

Tanabe Seiyaku and Mitsubishi Pharma share their goals to pursue business opportunities to respond to the changing medical environment while enhancing drug discovery capabilities and accelerating overseas business development.

The companies understand that expansion of the business scale and strengthening the business infrastructure are necessary to become a top-tier pharmaceutical company in Japan. Based on such common understandings, the two companies have reached a basic agreement on this merger to create global new drugs and challenge new business opportunities.

(3) Positioning of the New Company

(*Consolidated basis for the fiscal year ended March 2006, excluding foreign companies)

- Sales 5th largest in Japan (407.8 billion yen)
- Operating Profit 5th largest in Japan (63.8 billion yen)
- R&D Expenses 5th largest in Japan (78.4 billion yen)
- Domestic Ethical Pharmaceutical Sales 4th largest in Japan (384.7 billion yen; IMS Japan Pharmaceutical Market 2005)

(4) Basic Strategies of the New Company

- Accelerate its overseas business development leveraging the two companies' strong drug discovery capabilities and the business platform reinforced by the merger, and thus establish its position as a distinctive global pharmaceutical company at an early date.
- Enhance the domestic market presence through the top-tier marketing capability achieved through the merger.
- Proactively take on challenges to new business opportunities in response to the changes in medical environment. Specifically, build a new business model by making inroads into the generics business and by leveraging the diagnosis and testing platform of Mitsubishi Chemical Group (personalized medicine, etc.) with the aim of creating a distinctive pharmaceutical company.

(5) Management Policy of the New Company

- Promote the business integration on an equal spirit.
- Prioritize maximization of the corporate value of the new company.
- Realize the merger effects as early as possible by leveraging the strengths of the two companies and efficiently employing corporate resources.
- Appoint appropriate personnel to appropriate positions to motivate employees and vitalize the organizations.

- Develop an environment in which each employee can exert one's utmost ability, and create a free and open-minded corporate culture in which employees courageously make challenges in responding to changes.

(6) Relationship with Mitsubishi Chemical Holdings

- The new company will become a consolidated subsidiary of Mitsubishi Chemical Holdings, which will hold the majority share of the new company, and will remain to be listed. Mitsubishi Chemical Holdings will, in principle, maintain its shareholding ratio in the new company for the next 10 years.
- The new company will be operated based on the principle of independent decisions and judgment as a publicly listed company.

2. Overview of Merger

(1) Schedule of the Merger

February 2, 2007	Board approval of the Basic Agreement
February 2, 2007	Signing of the Basic Agreement
March 31, 2007 (plan)	Record date for the general shareholders' meeting
May 2007 (plan)	Board approval of the Merger Agreement
May 2007 (plan)	Signing of the Merger Agreement
Late June 2007 (plan)	Shareholders' meetings for approval of the Merger Agreement
October 1, 2007 (plan)	Effective date of Merger

This schedule, however, is subject to change upon the mutual consultation between the parties as required in the course of the procedure.

(2) Method of the Merger

The merger will be effected with Tanabe Seiyaku being the surviving company.

(3) Merger Ratio

Company Name	Tanabe Seiyaku (Surviving Company)	Mitsubishi Pharma (Dissolving Company)
Merger Ratio	1	0.69

(Note 1) Each share of Mitsubishi Pharma is to be converted into 0.69 share of common stock of Tanabe Seiyaku and the new shares will be allotted and issued to the shareholders of Mitsubishi Pharma. (Ratio based on shareholder value: Tanabe Seiyaku: Mitsubishi Pharma = 43.64 : 56.36)

(Note 2) Number of new shares of common stock issued pursuant to the merger:

Common stock 316,320,069 shares. (anticipated)

Tanabe Seiyaku will appropriate its holding of 22,641,998 shares as the treasury stock to the share allocation pursuant to the merger. (anticipated)

(4) Basis for the Merger Ratio Calculation

1) Basis for Evaluation and Background

In connection with evaluating the fairness of the merger ratio, Tanabe Seiyaku appointed Merrill Lynch Japan Securities Co., Ltd. (hereinafter referred to as "Merrill Lynch") as its financial advisor, and Mitsubishi Pharma appointed Nomura Securities Co., Ltd. (hereinafter referred to as "Nomura Securities") as its financial advisor.

In its role as financial advisor to Tanabe Seiyaku, on February 2, 2007 Merrill Lynch delivered its written opinion to the board of directors of Tanabe Seiyaku that, based upon and subject to the factors and assumptions set forth in its written opinion, matters considered and limits of review set forth therein, as of such date, the merger ratio was fair, from a financial point of view, to the holders of Tanabe Seiyaku common shares.

In preparing its opinion and the analysis conducted for the base of the opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, and Merrill Lynch has not assumed any responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any of the assets or liabilities of Tanabe Seiyaku or Mitsubishi Pharma or been furnished with any such evaluation or appraisal, nor has Merrill Lynch evaluated the solvency or fair value of Tanabe Seiyaku or Mitsubishi Pharma under any laws in any jurisdictions relating to bankruptcy, insolvency or similar matters. In addition, Merrill Lynch did not conduct any physical inspection of the properties or facilities of Tanabe Seiyaku or Mitsubishi Pharma.

With respect to the financial forecast information and the expected synergies of the merger furnished by Tanabe Seiyaku or Mitsubishi Pharma, Merrill Lynch has assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of Tanabe Seiyaku's management as to the expected future financial performance of Tanabe Seiyaku, Mitsubishi Pharma and the expected synergies.

Merrill Lynch's opinion was necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information made available to Merrill Lynch as of, February 2, 2007.

In evaluating the terms and conditions of the merger, Merrill Lynch performed various analyses, including a discounted cash flow analysis, a comparable companies analysis, a comparable transactions analysis, a historical stock price average analysis, a contribution analysis, an analysis of previous integration cases, an evaluation of the pro form impact of the merger, and reviewed and considered such analyses as a whole in preparing its opinion.

(Please refer to Note 3 for details) Some of the principal methods of evaluation and process of analyses utilized by Merrill Lynch in evaluating the merger ratio are:

- ① an indicative merger ratio evaluated based on a discounted cash flow method of Tanabe Seiyaku 1: Mitsubishi Pharma 0.72-0.75;
- ② an indicative merger ratio evaluated based on a comparable companies analysis of Tanabe Seiyaku 1: Mitsubishi Pharma 0.63-0.81;
- ③ a relative contribution analysis of Tanabe Seiyaku and Mitsubishi Pharma was performed; and
- ④ with respect to Tanabe Seiyaku, a historical stock price average analysis, a comparable transactions analysis, an evaluation of the pro forma impact of the merger taking into consideration the expected synergies and the experience of previous integration cases were considered.

Nomura Securities adopted the calculation methods including Market Share Price Analysis, Comparable Companies Analysis, **Discounted Cash Flow (DCF)** Analysis etc. for Tanabe Seiyaku and Comparable Companies Analysis, DCF Analysis, etc. for Mitsubishi Pharma. With respect to DCF Analysis, the following two types of analysis were conducted:

- (1) Stand-Alone Basis Analysis: Analysis of the merger ratio calculated based on a stand-alone equity value of each party without considering integrated results.
- (2) Integrated Results Basis Analysis: Analysis of the merger ratio by comparing the stand-alone equity value of Mitsubishi Pharma with the equity value of Tanabe Seiyaku on integrated results basis. The equity value on integrated results basis is the sum of the stand-alone basis equity value of Tanabe Seiyaku and the additional value that would be derived from the integration.

The followings are the results of each merger ratio analysis.

	Tanabe Seiyaku	Mitsubishi Pharma	Merger ratio range
①	Comparable Companies Analysis		0.56 or more
②-(1)	DCF Analysis - Stand-Alone Basis		0.54 or more
②-(2)	DCF Analysis - Integrated Results Basis		0.39 or more
③	Market Share Price Analysis	Comparable Companies Analysis	0.72 or more
Merger ratio (the number of Tanabe Seiyaku shares for each share of Mitsubishi Pharma)			0.69

In analyzing the market price of Tanabe Seiyaku shares, the average closing prices of the following three periods were taken: One week from the base date (January 17, 2007, which is one day before the day both companies publicly admitted their negotiation on this

merger), one month from the base date, and the period from the day after Tanabe Seiyaku announced its semiannual business results ending 09/2006 to the base date (November 7, 2006 to January 17, 2007).

For analyzing the merger ratio, Nomura Securities has used the information provided by each party as well as the publicly available information without making independent verification in principle, by assuming all such information is accurate and complete. In addition, Nomura Securities has not made any independent valuation, appraisal or assessment of each of the assets or liabilities (including contingent liabilities) of either parties or their affiliates, nor has made any request to a third party for such appraisal or assessment. Nomura Securities assumes that the financial forecast of each party and the expected synergy effects provided by the management of Mitsubishi Pharma were prepared reasonably through use of the best possible predictions and judgments at this time. The value calculated by Nomura Securities reflects the obtained information and economic conditions up to and as of February 1, 2007.

Tanabe Seiyaku and Mitsubishi Pharma considered the merger ratio evaluated by Merrill Lynch, Nomura Securities, respectively, and the financial conditions or forecasts, stock price performance and other factors. After a series of discussions, both parties finally reached a conclusion that the abovementioned merger ratio is appropriate and agreed.

2) Relationship with Financial Advisors

Merrill Lynch Japan Securities Co., Ltd. does not correspond to the criteria "affiliate of Tanabe Seiyaku."

Nomura Securities Co., Ltd. does not correspond to the criteria "affiliate of Mitsubishi Pharma."

(5) Treatment of Stock Option and Warrant Bond of the Dissolving Company

No options or warrants issued.

(6) Cash Distribution for Merger Adjustment

Cash distribution will not be made except for that to be made in place of the interim dividend of Mitsubishi Pharma in the fiscal year 2007.

(7) Merger Preparatory Committee

The Merger Preparatory Committee jointly headed by the presidents of both companies will be formed, which will coordinate planning for the merger and promote it.

3. Outline of the Parties to Merge

(1) Company Name	Tanabe Seiyaku (Surviving Company)	Mitsubishi Pharma (Dissolving Company)						
(2) Business & Products	Ethical drugs, OTC drugs, diagnostic agents, chemicals, etc.	Ethical drugs, mainly, and others						
(3) Date of Incorporation	December 15, 1933	August 1, 1940						
(4) Address of Headquarters	2-10, 3-chome, Dosho-machi, Chuo-ku, Osaka	6-9, 2-chome, Hiranomachi, Chuo-ku, Osaka						
(5) Representative	Natsuki Hayama, President & Representative Director	Takeshi Komine, President & Representative Director						
(6) Capital	44,261 million yen (End of Sept. 2006)	30,560 million yen (End of Sept. 2006)						
(7) Total Number of Shares Issued	267,597,847 shares (End of Sept. 2006)	458,434,883 shares (End of Sept. 2006)						
(8) Shareholders' Equity	227,093 million yen (End of Sept. 2006; Consolidated)	247,482 million yen (End of Sept. 2006; Consolidated)						
(9) Total Assets	290,841 million yen (End of Sept. 2006; Consolidated)	310,724 million yen (End of Sept. 2006; Consolidated)						
(10) Financial Year End	March 31	March 31						
(11) No. of Employees	4,608 (End of Sept. 2006; Consolidated)	5,963 (End of Sept. 2006; Consolidated)						
(12) Major Customers	SUZUKEN CO., LTD. Toho Pharmaceutical Co., Ltd. Mediceo Paltec Holdings Co., Ltd.	Mediceo Paltec Holdings Co., Ltd. Alfresa Corporation SUZUKEN CO., LTD.						
(13) Major Shareholders & Shareholding Ratio	Nippon Life Insurance Company 5.93% The Master Trust Bank of Japan, Limited 5.76% The Bank of Tokyo-Mitsubishi UFJ, Ltd. 4.52% (End of Sept. 2006)	Mitsubishi Chemical Holdings Corporation 100.00% (End of Sept. 2006)						
(14) Main Banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Corporate Bank, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp. Mitsubishi UFJ Trust and Banking Corp.						
(15) Relationship between the parties to the merger	Capital Relation	No applicable relation exists.						
	Human Relation	No applicable relation exists.						
	Trade Relation	Trading relation in portion of ethical drugs.						
	Applicable Relations with Related Parties	No applicable relation exists.						
(16) Performance for the Past Three Fiscal Years & Estimates for the Current Fiscal Year (in millions of yen) (Consolidated Basis)								
	Tanabe Seiyaku				Mitsubishi Pharma			
Fiscal Year	March 2004 (A)	March 2005 (A)	March 2006 (A)	March 2007 (E)	March 2004 (A)	March 2005 (A)	March 2006 (A)	March 2007 (E)
Sales	173,613	171,984	171,552	176,500	235,431	234,244	236,207	228,000
Operating Profit	29,440	27,467	27,568	28,500	28,727	31,049	36,235	39,000

Ordinary Profit	28,539	27,585	27,107	29,500	27,118	29,959	36,020	38,500
Net Income	17,687	15,902	15,466	18,700	10,818	13,172	20,699	23,500
Net Income per Share (Yen)	69.06	63.70	62.43	76.34	23.81	29.02	45.39	51.26
Dividend per Share (Yen)	14.00	17.00	20.00	24.00	10.00	10.00	20.44	-
Shareholders' Equity per Share (Yen)	775.48	822.43	890.21	-	435.90	454.94	505.01	-

(Note) Estimates are based on forecasts released when interim results were announced.

4. Outline of the New Company

(1) Company Name (Tentative)

Mitsubishi Tanabe Pharma Corporation

(2) Business

Manufacturing and marketing of ethical drugs, OTC drugs, diagnostic agents, chemicals, etc.

(3) Address of Headquarters

2-10, 3-chome, Dosho-machi, Chuo-ku, Osaka

(4) Director & Corporate Auditor (Planned)

President & Representative Director:	Natsuki Hayama (Current President & Representative Director of Tanabe Seiyaku)
Executive Vice President & Representative Director:	Takeshi Komine (Current President & Representative Director of Mitsubishi Pharma)
Vice President & Director:	Michihiro Tsuchiya (Current Representative Director & Senior Executive Corporate Officer of Tanabe Seiyaku)
Vice President & Director:	Kunihiko Shimojuku (Current Representative Director, Deputy President & Executive Officer of Mitsubishi Pharma)

As of the date of merger the new company will have a total of eight directors (including those listed above) and four corporate auditors, with four directors and two corporate auditors to be each nominated by Tanabe Seiyaku and Mitsubishi Pharma (including Mitsubishi Chemical Holdings). In addition, the new company plans to introduce an operating officer system.

(5) Capital: To be determined

(6) Financial Year End: March 31

(7) Accounting Treatment of the Merger

This merger will be completed as an acquisition under the accounting standards for business combination, and the purchase method applies. Therefore, it is expected that the assets and liabilities of the acquired party, Tanabe Seiyaku, are booked at fair value in the consolidated financial statements of the new company. As regards the goodwill resulting from the fair value valuation, the prospect of occurrence, amount, amortization period, etc. are not yet known and will be notified as soon as determined.

(8) Impact on Performance

The business prospects and organizational system will be deliberated at the Merger Preparation Committee and will be announced on determination. However the best estimate under the present set of circumstances, we seek 470 billion yen in sales, 85 billion yen in R&D cost and 10.5 billion yen for the operating profit (amortization of goodwill is not included as the amount for goodwill is not yet determined) on fiscal year 2010.

5. Others

During the effective period of the basic agreement, Tanabe Seiyaku, Mitsubishi Pharma and Mitsubishi Chemical Holdings have an obligation not to discuss or negotiate with any third party in connection with a corporate reorganization transaction including merger (as set forth in the basic agreement) to which Tanabe Seiyaku or Mitsubishi Pharma is a party. In addition, during the effective period of the basic agreement, Mitsubishi Chemical Holdings has an obligation not to consummate a corporate reorganization transaction as set forth in the basic agreement which makes it extremely difficult to execute the merger between Tanabe Seiyaku and Mitsubishi Pharma. Tanabe Seiyaku, Mitsubishi Pharma and Mitsubishi Chemical Holdings agree that the party breaching these obligations will pay a penalty.

(Note3)

In arriving at its opinion, Merrill Lynch made qualitative judgments as to the significance and relevance of each analysis and factor considered by it. Accordingly, Merrill Lynch believes that its analysis must be considered as a whole and that selecting portions of its analysis and factors, without considering all analysis and factors, could create an incomplete view of the processes underlying such analysis and its opinion. In its analysis, Merrill Lynch made numerous assumptions with respect to Tanabe Seiyaku, Mitsubishi Pharma, industry performance and regulatory environment, general business, economic, market and financial conditions, as well as other matters, many of which are beyond the control of Tanabe Seiyaku and involve the application of complex methodologies and educated judgment.

The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to partial analysis or summary description. No company, business or transaction used in those analyses as a comparison is identical to Tanabe Seiyaku, Mitsubishi Pharma or the merger, nor is an evaluation of the results of those analyses entirely mathematical; rather, it involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the transactions, public trading or other values of the companies, business segments or transactions being analyzed. The estimates contained in those analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual results or values or predictive of future results or values, which may be significantly more or less favorable than those suggested by those analyses. In addition, analyses relating to the value of businesses or securities are not appraisals and may not reflect the prices at which businesses, companies or securities actually may be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty

Merrill Lynch's opinion is for the use and benefit of the Board of Directors of Tanabe Seiyaku. Merrill Lynch's opinion does not address the merits of the underlying decision by Tanabe Seiyaku to engage in the merger and does not constitute a recommendation to any shareholder as to how such shareholder should vote on the proposed merger, including whether dissenting shareholders should exercise the right to redeem their shares. In addition, Tanabe Seiyaku did not ask Merrill Lynch to address, and Merrill Lynch's opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Tanabe Seiyaku, other than the holders of Tanabe Seiyaku's common shares. Merrill Lynch does not express any opinion as to the prices at which the shares of Tanabe Seiyaku will trade following the announcement of the basic agreement or the consummation of the merger.

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