

March 15, 2001

W e l f i d e C o r p o r a t i o n (Code No. 4509)
Mitsubishi-Tokyo Pharmaceuticals, Inc.

Concerning Execution of Letter of Memorandum on Merger between Welfide Corporation and Mitsubishi-Tokyo Pharmaceuticals

Welfide Corporation (Head Office: Chuo-ku, Osaka; President: Shinichiro Handa) and Mitsubishi-Tokyo Pharmaceuticals, Inc. (Head Office: Chuo-ku, Tokyo; President: Ryuichi Tomizawa) have executed a letter of memorandum on the basics of merger as follows:

1. Aims of Merger

Based on the common recognition of the need for achieving an appropriate business scale and further expanding the management foundation to cope with the severe management environment of the pharmaceutical industry and to overcome increasingly fierce international competition, both Welfide Corporation and Mitsubishi-Tokyo Pharmaceuticals had been studying the merger of the two companies since November 2000. The two companies have executed a letter of memorandum on the basics of the merger.

With the merger, the two companies are confident that they will be able to develop and commercialize new medicines faster by integrating their research and development capability as well as business force in early stage, provide better services to their customers, and meet the expectations of their shareholders by overcoming the severe international competition.

2. Outline of Merger

(1) Schedule for Merger

Conclusion of letter of memorandum on merger	March 15, 2001
Board of directors meeting to approve the merger	Mid-May 2001 (planned)
Execution of a definitive agreement on merger	Mid-May 2001 (planned)

Shareholders' meeting to approve the agreement	Late-June 2001 (planned)
Date of merger	October 1, 2001 (planned)

(2) Method of Merger

Welfide and Mitsubishi-Tokyo Pharmaceuticals will merge on an equal footing. As a legal procedure, however, Welfide will continue to exist while Mitsubishi-Tokyo Pharmaceuticals will be dissolved. Listing of Welfide's stocks will be maintained.

(3) Ratio of Merger

Company	Welfide	Mitsubishi-Tokyo
Ratio of merger	1	0.6

(after the face value of the stocks converted to the same value)

Note 1. Allocation ratio of stocks

0.6 shares of Welfide's common stocks will be allocated and granted to one share of Mitsubishi-Tokyo Pharmaceuticals' common stocks (after the face value of the stocks converted to the same value).

Note 2. Basis for calculation of merger ratio

Both Welfide and Mitsubishi-Tokyo Pharmaceuticals had requested The Bank of Tokyo Mitsubishi, Ltd. to calculate the conversion ratio of stocks and, with the calculation results as reference, the two companies had discussed the ratio and reached to an agreement.

Note 3. Calculation method by third party and basis of calculation

The Bank of Tokyo Mitsubishi, Ltd. calculated the conversion ratio by a method to comprehensively evaluate the merger ratio which is calculated by the methods of market price of stocks / comparison with stocks of similar companies, net assets in current prices, and DCF.

In case there occur serious changes in various conditions on which the calculation is based, the aforementioned conversion ratio of stocks

could be changed upon mutual discussions between the two companies.

3. Outline of Merging Companies

(Consolidated basis as of March 31, 2000)

(1) Company name	Welfide Corporation (merging company)	Mitsubishi-Tokyo Pharmaceuticals, Inc. (merged company)
(2) Major lines of business	Manufacturing, selling and exporting and importing of various kinds of pharmaceutical products	Manufacturing, selling and exporting and importing of various kinds of pharmaceutical products
(3) Date of incorporation	August 1, 1940	October 1, 1999
(4) Location of head office	Chuo-ku, Osaka	Chuo-ku, Tokyo
(5) Representative	President Shinichiro Handa	President Ryuichi Tomizawa
(6) Capital	21,380 million yen	15,000 million yen (*1)
(7) Outstanding shares (face value)	274,834,883 shares (face value 50 yen)	300,000 shares (*2) (face value 50,000 yen)
(8) Shareholder's equity	151,833 million yen	31,045 million yen
(9) Authorized capital	295,236 million yen	75,243 million yen
(10) Settlement term	March 31	March 31
(11) Employee force	7,346	2,249
(12) Major customers	Kuraya Sanseido, Suzuken	Suzuken, Fukujin
(13) Principal shareholders (shareholding ratio)	Takeda Chemical Industries, Ltd, (11.9%) The Bank of Tokyo Mitsubishi (4.7%) The Sakura Bank, Ltd. (3.6%)	Mitsubishi Chemical Corporation (100%)
(14) Main banks	The Bank of Tokyo Mitsubishi The Sakura Bank, Ltd.	The Bank of Tokyo Mitsubishi The Dai-Ichi Kangyo Bank, Ltd.

(*1) As from April 3, 2001, the capital will become 16,500 million yen due to the increase of capital by 3,000 million yen (to be allocated to Mitsubishi Chemical Corporation). Of the total increase, 1,500 million yen will be allocated to the capital reserve account.

(*2) Outstanding shares after the increase of capital will become 306,000 shares.

(15) Recent business results

(Unit: 1 million yen)

Settlement term (period covered)	Welfide (merging company)		Mitsubishi-Tokyo Pharmaceuticals (merged company)	
	Ending in March 1999 (Apr. 1998 - Mar. 1999)	Ending in March 2000 (Apr. 1999 - Mar. 2000)	(Oct. 1999 – Mar. 2000*)	(Apr. 2000 - Sept. 2001**)
Sales	214,703	199,156	41,587	42,238
Ordinary profits	16,220	16,130	3,378	4,720
Net profits	7,104	8,134	2,056	1,393
Net profit per share (yen)	25.86	29.60	*** 6.85	*** 4.64
Dividend per share (yen)	10.00	11.00	*** 2.10	*** -
Shareholders' equity per share (yen)	514.66	552.48	*** 103.48	*** 105.97

* Mitsubishi-Tokyo Pharmaceuticals was established on October 1, 1999 with the merger between and integration of the pharmaceutical businesses of Mitsubishi Chemical Corporation and Tokyo Tanabe Pharmaceutical. As a result, the period of six months covering from October 1, 1999 through March 31, 2000 was the first period of account settlement for its pharmaceutical business.

** Mid-term results of fiscal 2000

*** The figures of Mitsubishi-Tokyo Pharmaceuticals' net profits per share, dividend per share, and shareholders' equity are calculated by converting the face value of its stocks to Yen 50.

4. Outline of Merged Company

- (1) Company name: Mitsubishi Pharma Corporation (planned)
- (2) Major business lines: Manufacturing, selling and exporting and importing of various kinds of pharmaceutical products
- (3) Head office location: 2-6-9 Hiranomachi, Chuo-ku, Osaka
- (4) Representative directors: At the beginning after the merger, there will be two representative directors. A former director of Welfide will become the representative director and president and a former director of Mitsubishi-Tokyo Pharmaceuticals will become the representative director and vice president.
- (5) Capital: Undecided
- (6) Settlement term: March 31
- (7) Influence expected on business results: As to the business outlook for the terms ending in March 2002 and 2003, it is planned to be reported at the time of the announcement of the agreement on merger.

[Profile of the new company]

- Targeted directions of the new company -

- **Aims at becoming an international “new medicine-developing and -commercializing company”**

The company aims at becoming a pharmaceutical company that steadily develops and commercializes innovative medicines. To do so, management resources will be invested aggressively in the followings:

- Research and development force will be expanded to the level that is suitable for an international “new medicine-developing and -commercializing company”.
- Sales organization will be structured in a way so that medical information will be communicated accurately and efficiently.
- Overseas market development capability will be expanded and overseas sales network of its own will be organized in an early time.

At the same time, the new company will deepen its relationship with various research organizations on life science of the Mitsubishi Chemical Group and will also aggressively tackle with advanced research and development such as development and commercialization of medicines using genome.

- **Aims at becoming a company based on the corporate culture with a high level of ethics**

The company aims at becoming a socially reliable company by contributing to the health of people. To do so, it will always seek for a high level of ethics in every corporate behavior and places the corporate culture that appreciates such ethics as the basis of its behavior.

Through the above, the new company will endeavor to improve the value of the company, thereby to become a company that “contributes to the healthy life of people”.

- Expected effects of the merger -

- Realization of minimum necessary scale of company (critical mass) to participate in the increasingly fierce international competition.
- Expansion of pipeline of new medicines and lineups of the existing pharmaceutical products.
- Strengthening of developing and commercializing new medicines by means of improvement in capability of bearing R&D expenditures.

With the target of 20% of R&D expenditures on total sales, annual R&D expenditures will be aimed at increasing to Yen 100 billion in the future.

- Realization of Japan's largest-scale, strong MR organization – top-level sales force in the areas of psychotropic / neurological disease, plasma protein products, and cerebrovascular / cardiovascular disease.
- Integration and reorganization of production, distribution, sales, and research functions.
- Improvement in overseas market development

With “Novastan” (the drug for heparin-induced thrombocytopenia (HIT) in Europe) and AS-013 (the drug for severe peripheral circulatory disturbance in the US) as the first step to apply for approval and sales in abroad by the new company itself, it will foster the capability of overseas market development.

- Reinforcement of foundation for developing and commercializing new medicines by cooperation with Mitsubishi Chemical.

As the core company of the strategic fields of Mitsubishi Chemical Group, the new company will develop new medicines created by post-genome and play its role of the key company to widely provide them to the society.

By fully utilizing aforementioned expected effects of the merger and based on the “improvement in developing and commercializing new medicines” and “efficient management by means of selection and focus on businesses” that the two companies had so far proceeded, the new company will aim at 15% ROE in five years by investing its management resources primarily on R&D and overseas market development.