

YAMANOUCHI TO SPIN OFF TWO FORMULATION PLANTS BY THE CORPORATE SEPARATION METHOD

Tokyo, Japan – November 4, 2004 – At its board meeting today, Yamanouchi Pharmaceutical Co., Ltd. (president: Toichi Takenaka) approved the plan to spin off its domestic formulation facilities on April 1, 2005 as announced on November 11, 2003.

Yamanouchi will spin off its Yaizu Plant and Nishine Plant and transfer their business to its subsidiary Tohoku Yamanouchi Pharmaceutical Co., Ltd., Iwate Prefecture (Tohoku Yamanouchi), on April 1, 2005. On the same day, the surviving company, Tohoku Yamanouchi, will merge with Yamanouchi's another subsidiary Yamanouchi Tokai Business Co., Ltd., Shizuoka Prefecture, transfer its headquarters to Yaizu, Shizuoka Prefecture, and start business as a new formulation subsidiary, Astellas Tokai.

* Yamanouchi will merge with Fujisawa Pharmaceutical Co., Ltd. and start its business as Astellas Pharma Inc. on April 1, 2005.

The outline of the proposed spin-off is as follows:

1. Objective of spin-off

Global competition is being intensified in the field of R&D and marketing of new drugs in the world's pharmaceutical market. The amended Pharmaceutical Affairs Law, which will permit outsourcing of the entire production process, will be brought into effect on April 1, 2005. Yamanouchi decided to take that opportunity to spin off its formulation plants and integrate and concentrate its formulation functions in order to further increase the efficiency of its production system and enhance its cost competitiveness.

2. Outline of spin-off

2.1 Time schedule

Approval of the spin-off contract by the board: November 4, 2004

Spin-off: April 1, 2005

Registration of the new company: April 1, 2005

2.2 Spin-off method

1) Separation method

Yamanouchi will separate its formulation plants (material separation) and transfer them to Tohoku Yamanouchi (simple separation and absorption method).

2) Reason for adopting this separation method

This method was selected because it was thought to be the most effective method of integrating Yamanouchi's domestic formulation functions taking into account various factors including the size of assets to be spun off and efficiency of business transfer.

2.3 Share allotment

Because Tohoku Yamanouchi is a wholly-owned subsidiary of Yamanouchi, this spin-off will entail no issuance of new share or share allotment.

2.4 Split bounty

There will be no split bounty.

2.5 Rights and obligations transferred to Tohoku Yamanouchi

Tohoku Yamanouchi will take over business assets, liabilities and other rights and obligations with regard to the formulation of pharmaceutical preparations from Yaizu Plant and Nishine Plant on the spin-off date.

2.6 Prospect of the fulfillment of obligations

Yamanouchi does not expect any problem with the fulfillment of its obligations or the obligations transferred to the new company for the following reasons: financial effects of the spin-off on Yamanouchi are minor; no event that may interfere with the fulfillment of obligations by the new company is expected at this stage in the business activities of the new company after spin-off; and Yamanouchi will share with the new company the responsibility for fulfilling all obligations it transfer to the new company.

2.7 Members of the board of the new company

No decision has been made regarding the membership of the board of the new company.

3. Outline of the divided company and recipient company

	Divided company (as of March 31, 2004)	Recipient company (as of March 31, 2004)
(1)Name	Yamanouchi Pharmaceutical Co., Ltd.	Tohoku Yamanouchi Co., Ltd.
(2)Line of business	Production, marketing, export and import of drugs and other products	Production and marketing of drugs and other products
(3)Established in	April 1923	January 1986
(4)Address of headquarters	3-11, Nihonbashi-honcho 2-chome, Chuo-ku, Tokyo	154-13, Dai-ni Chiwari, Obuke, Nishine-cho, Iwate-gun, Iwate Prefecture
(5)Representative	President and CEO Toichi Takenaka	President Atsuki Yamasaki
(6)Capital	99,760 million yen	10 million yen
(7)Total number of outstanding shares	361,216,470	2,000
(8)Shareholders' equity	665,665 million yen	1,461 million yen
(9)Total asset	784,191 million yen	3,892 million yen
(10)Settlement of accounts	March 31	March 31
(11)Number of employees	4,088	6
(12)Major business partners	Kuraya Sanseido Suzuken Azwell	Yamanouchi Pharmaceutical Co., Ltd.
(13)Major shareholders and their ownership ratio	Japan Master Trust Bank: 10.29% Japan Trust Service Bank: 7.69% The Chase Manhattan Bank NA London SL Omnibus Account: 4.51% State Street Bank and Trust Company: 4.30% Nihon Life Insurance Co.: 4.08%	Yamanouchi Pharmaceutical Co., Ltd.: 100%
(14)Major correspondent banks	Sumitomo-Mitsui Banking Corp. UFJ Bank Tokyo Mitsubishi Bank	Iwate Bank Kita Nihon Bank Chuo Mitsui Trust Bank UFJ Bank

(15)Relation between the divided and recipient companies		
Capital	The recipient company is a wholly-owned subsidiary of the divided company.	
Personnel	All employees engaging in the formulation of pharmaceutical preparations of the divided company will be transferred to the recipient company following the spin-off. The divided company send board members to the recipient company.	
Business	The divided company outsources the production of drugs to the recipient company. The divided company has provided funds to the recipient company, and the recipient company is paying interest to the divided company.	

(16)Business results of the divided company in the last 3 fiscal years (million yen)			
Fiscal year	March 2002	March 2003	March 2004
Sales	318,763	346,586	345,426
Operating income	83,091	97,249	89,246
Ordinary income	85,216	98,916	89,681
Net income	42,282	58,276	59,275
Net income per share	118.61	172.77	178.76
Dividend per share	25.00	28.00	31.00
Shareholders' equity per share	1,738.26	1,834.21	2,010.31

4. Details of business to be spin-off

4.1 Two domestic formulation plants

Both Yaizu Plant and Nishine Plant are engaged in the formulation of pharmaceutical preparations.

4.2 Sales and ordinary income in the latest fiscal year

Yamanouchi does not compute sales or ordinary profits by plant.

4.3 Items and amounts of assets and obligations to be transferred

The book value of the assets and obligations to be transferred to the new company is as follows according to the expected balance sheet as of March 31, 2005:

Asset	Obligation	Net asset
19,697 million yen	1,185 million yen	18,512 million yen

5. Status after the spin-off

Yamanouchi's status will remain unchanged from that shown in 3 above (Outline of the divided company and recipient company) except for the total asset. The total asset will decrease by about 1,100 million yen as a result of spin-off.

6. Effects on business performance

* A special loss of about 7.6 billion will be reported in the settlement of accounts for the year ending March 2005 as a result of this transaction. This loss is mainly due to the transfer of employees.

* The recipient company will remain a consolidated subsidiary of Yamanouchi and is expected to contribute to a saving in the production cost of more than 1 billion yen per year in FY2005 and onward.

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