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Lilly Licenses Oral DPP-IV Inhibitor from Taisho Pharmaceutical

Phase I Compound Could Represent New Treatment Option for Type 2 Diabetes

INDIANAPOLIS, Ind., July 6, 2005 /PRNewswire-FirstCall via COMTEX/ -- Eli Lilly and Company (NYSE: LLY) announced today that it signed a license agreement with Taisho Pharmaceutical Co., Ltd. for TS-021, Taisho's oral DPP-IV inhibitor in Phase I clinical development for the treatment of type 2 diabetes.

Under the terms of the agreement, Taisho granted Lilly exclusive rights for the development and commercialization of TS-021 worldwide, except Japan and China. Taisho will manufacture the bulk active ingredient of TS-021 for Lilly. Under certain circumstances, Taisho may copromote TS-021 with Lilly in the U.S. and other designated countries.

TS-021's mechanism of action differs from currently available diabetes treatments as it inhibits di-peptidyl peptidase-IV (DPP-IV), which is an enzyme that breaks down the human hormone known as glucagon-like peptide-1 (GLP-1). Preventing GLP-1 degradation is important because it plays a crucial role in maintaining glucose homeostasis. GLP-1 stimulates the body to produce insulin in response to elevated levels of blood glucose, suppresses glucagon secretion leading to a reduction in the release of glucose from the liver, slows the rate of food absorption and promotes satiety and reduces appetite. These actions promote stimulation of insulin secretion in the presence of elevated blood-glucose concentrations but not during periods of normal or low blood-glucose concentrations, thereby reducing or eliminating the risk of hypoglycemia.

"As a DPP-IV inhibitor, TS-021 will further diversify our robust diabetes pipeline and may represent a new treatment option for patients with type 2 diabetes," said Jose F. Caro, M.D., vice president of endocrine research and clinical investigation for Lilly. "New treatment options along the entire continuum of care are vital to combat the growing epidemic of this progressive disease, which is expected to double in the next 20 years."

Lilly, a leading innovation-driven corporation, is developing a growing portfolio of first-in-class and best-in-class pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Headquartered in Indianapolis, Ind., Lilly provides answers -- through medicines and information -- for some of the world's most urgent medical needs. Additional information about Lilly is available at www.lilly.com . F-LLY

This press release contains forward-looking statements about the potential of the investigational compound TS-021 in treating type 2 diabetes that reflect management's current beliefs. However, as with any pharmaceutical under development, there are risks and uncertainties in the process of development and regulatory review. There are no guarantees that future clinical trials will confirm the preliminary results referred to in this release or that the product will receive regulatory approvals or prove to be commercially successful. For further discussion of these and other risks and uncertainties, see Lilly's filings with the United States Securities and Exchange Commission.

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