

Deploying Group Strengths to Create New Value in Distribution

Rapid Efficiency Gains from System Integration and Concentration of Management

STRENGTHS OF THE MEDICEO GROUP

1. Rapid Efficiency Gains from System Integration and Concentration of Management

- Integration in stages of core systems throughout the MEDICEO Group
- Creation of a shared infrastructure, including distribution centers
- Improved Groupwide efficiency from standardization of operations and systems



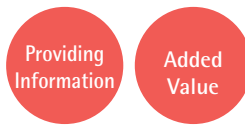
2. Improved Earnings from Economies of Scale

- Bulk purchasing from suppliers
- Finely tuned sales activities closely linked to regional needs
- Unified nationwide sales promotion strategy



3. Enhanced Provision of High-Quality Information and Customer Support

- Internet site e-mediceo.com
- *Total Solution Model* for hospitals
- *MEDICEO-epi* for dispensing pharmacies



Establishment of the MEDICEO Brand

The MEDICEO Group is working to strengthen and enhance each of its functions, from purchasing, sales and distribution to provision of information and core systems, in order to respond to the needs of its wide range of suppliers and customers. By doing so, we will earn their trust, further raise our corporate value and expand the scope of our operations.

A Framework for Raising Groupwide Efficiency

The systems of each Group company are being integrated in stages with the core systems of MEDICEO Holdings. Concentrating management functions centered on purchasing, distribution, accounts receivable and payable, and information systems, and standardizing personnel and other systems will allow us to rapidly realize a framework for raising efficiency throughout the MEDICEO Group.

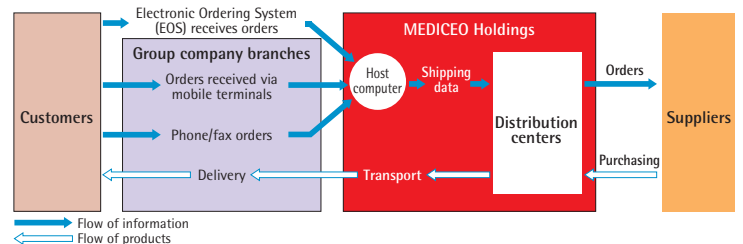
SAITAMA DISTRIBUTION CENTER Begins Operations

The MEDICEO Group further strengthened its nationwide distribution network for prescription pharmaceuticals in May 2005 with the opening of the SAITAMA DISTRIBUTION CENTER, which serves Tokyo and 11 prefectures. With a total floor space of 26,891 square meters, this state-of-the-art facility will provide a stable supply of pharmaceuticals with the highest level of quality management.



Pharmaceutical Distribution Network

Our distribution system integrates every stage from product ordering to delivery. Customer order information is stored at the host computer of MEDICEO Holdings, while distribution centers around the country carry out product shipping and purchasing, enabling large-scale product shipment that links suppliers and customers.



Utilizing the Benefits of Scale

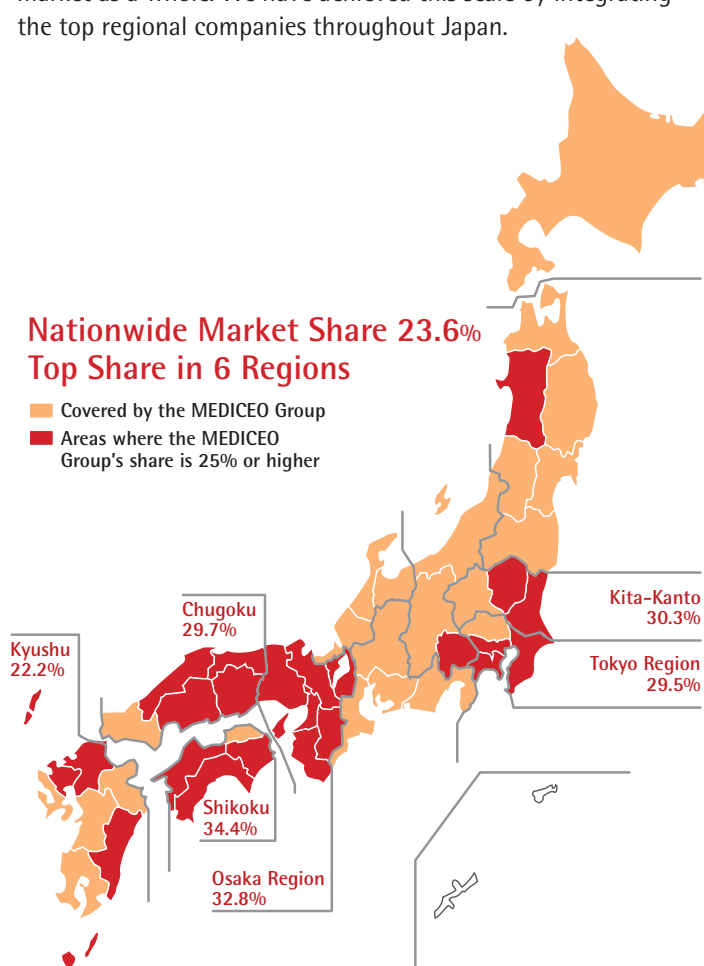
The MEDICEO Group uses the benefits of its size as a national wholesaler – including a nationwide supply system for pharmaceuticals, the ability to conduct bulk purchasing from suppliers, and unified sales promotion strategies for its more than 5,000 marketing specialists (MSs) – to improve its ability to generate sales and income.

Share of Prescription Pharmaceuticals Market (based on business alliances)

Through its business alliances, the MEDICEO Group holds the top share of the prescription pharmaceutical market in 6 of 11 regions in Japan (Kita-Kanto, the Tokyo region, the Osaka region, Chugoku, Shikoku and Kyushu) and a 23.6% share of the market as a whole. We have achieved this scale by integrating the top regional companies throughout Japan.

Nationwide Market Share 23.6% Top Share in 6 Regions

■ Covered by the MEDICEO Group
■ Areas where the MEDICEO Group's share is 25% or higher



Note: Based on prescription pharmaceutical market data from CRECON Research & Consulting for the year ended March 31, 2004

Stronger Value-Added Functions

The MEDICEO Group provides timely, high-quality information to its customers throughout Japan via its publications and the Internet site e-mediceo.com.

In addition, our *Total Solution Model* offers proposals that help hospital administrators cut costs, and *MEDICEO-epi*, a new contract model for dispensing pharmacies, combines planned deliveries and usage-based payment. Offering these valuable services strengthens our customer support capabilities, which in turn will increase our value as a distributor.

