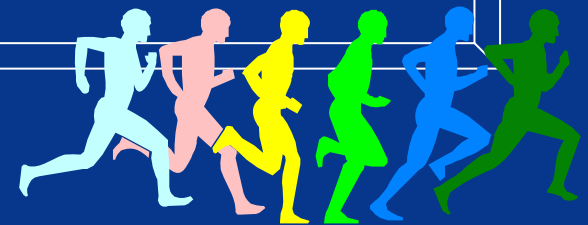


Medium-Term Management Plan (April 2008 to March 2011)



January 31, 2008

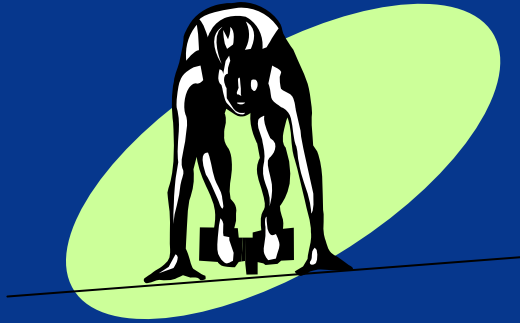
Mediceo Paltac Holdings Co., Ltd.

Sadatake Kumakura

Representative Director, President and CEO

*The Mediceo Paltac Group has drawn up
a medium-term management plan for the next three years*



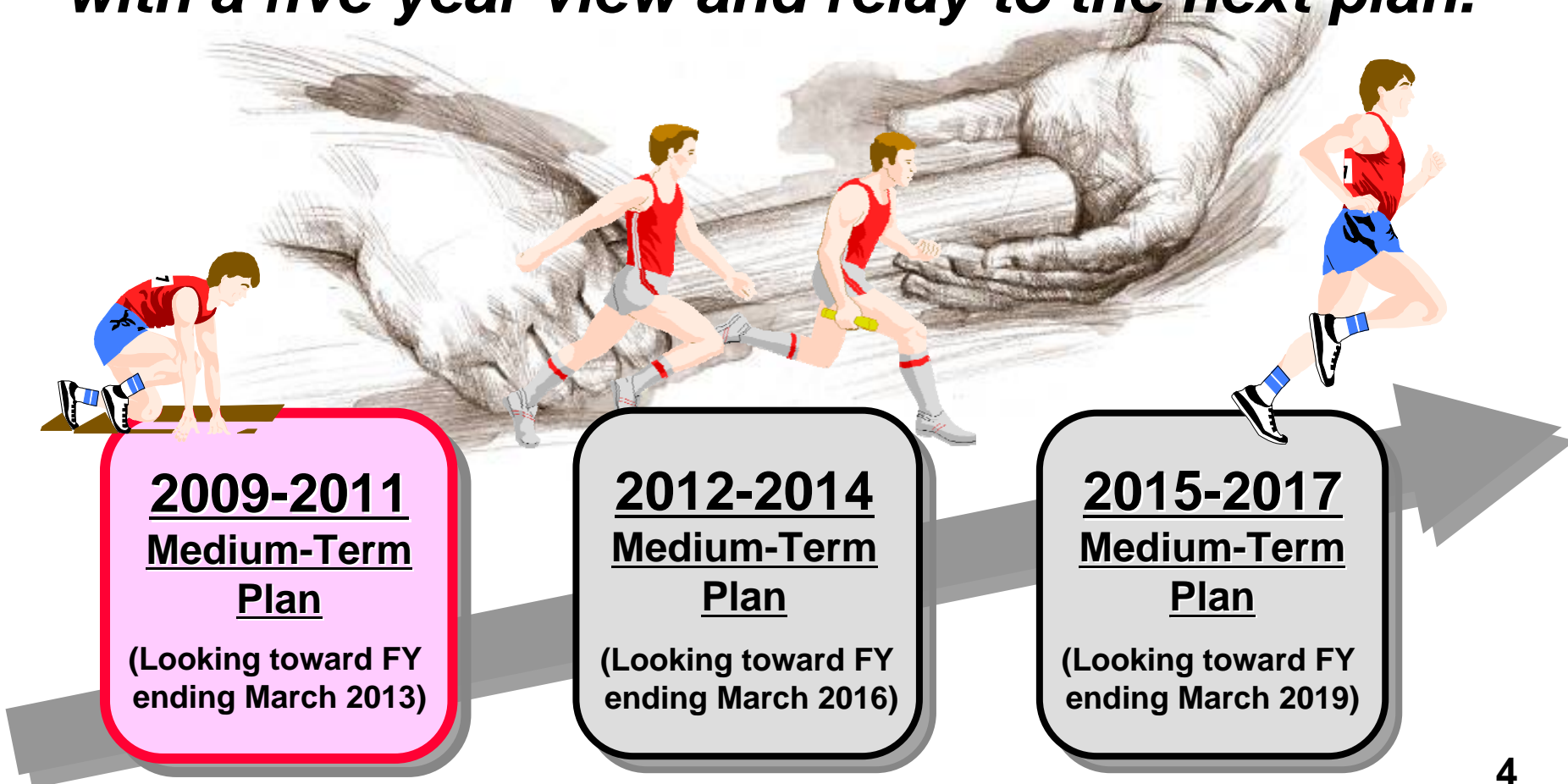


Medium-Term Management Plan

(April 2008 to March 2011)

- 1. Medium-Term Targets**
- 2. Mediceo Business Plan**
- 3. Paltac Business Plan**

Every three years, we will update our three-year medium-term management plan with a five-year view and relay to the next plan.



Management Philosophy

We will contribute to people's health and the advancement of society through creation of value in distribution.

CSR

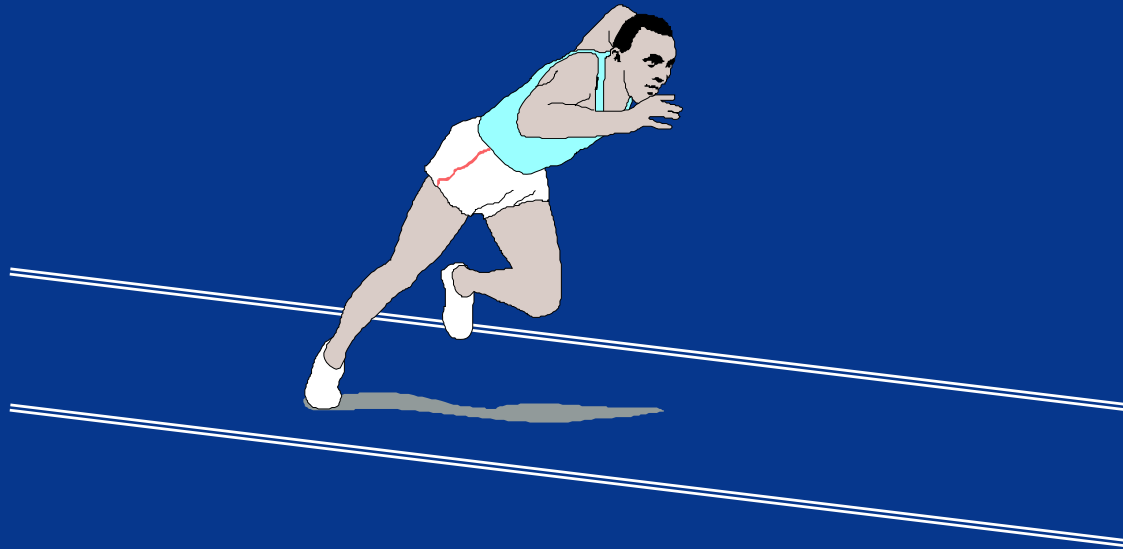
- 1. Close attention to compliance, pharmaceutical management, disaster prevention, information management, and environmental preservation**
- 2. Improvement of work attitudes as an honest company with a strong sense of ethics**
- 3. Universal service and response to emergencies in pharmaceutical supply**



- 1. Realize work/life balance that respects the diverse work styles and lifestyles of employees.**
 - Telecommuting ▪ Shorter working hours, etc.
- 2. Create a framework to give employees a sense of growth through their work and support their individual career formation.**
 - Internal recruiting ▪ Internal “free agent” system, etc.
- 3. Establish a compensation system that rewards effort and performance**
 - Industry-leading compensation backed by productivity



1. Medium-Term Targets



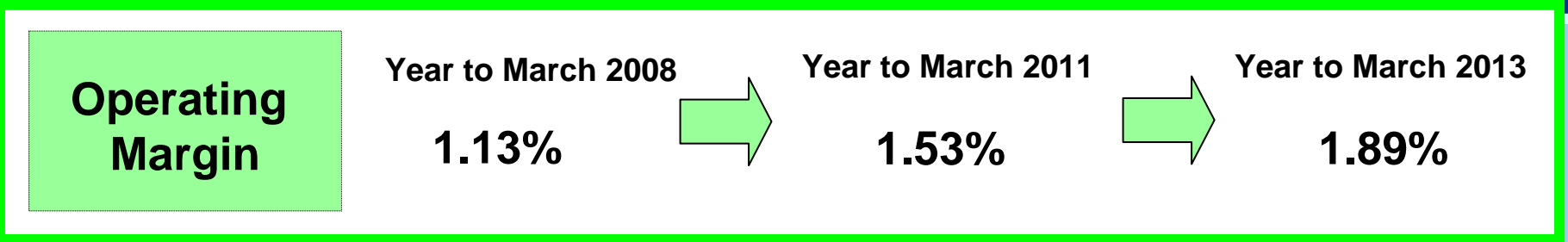
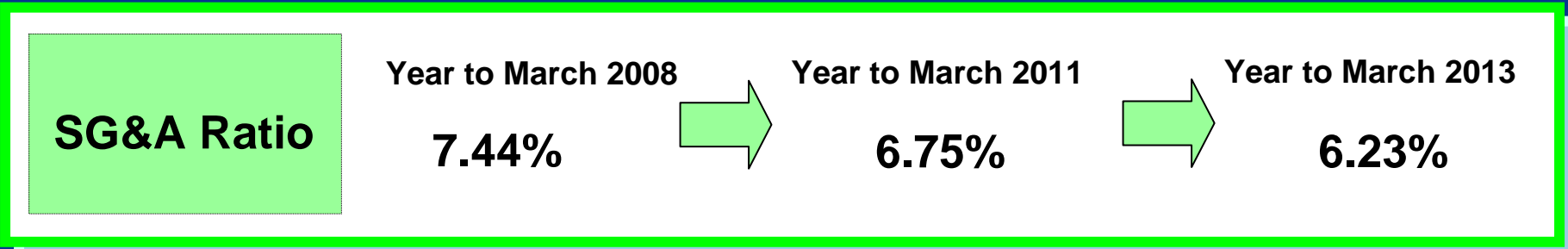
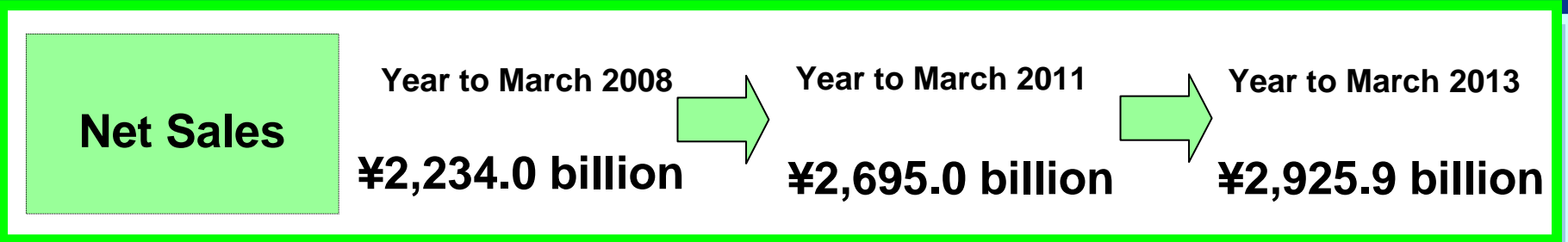
Basic Policy



Aim to be a corporate group with growth potential by developing new wholesale functions to maximize customer satisfaction.

Medium-Term Targets

Three-year targets and five-year vision



Vision of Mediceo Paltac in 5 years



● Consolidated Performance Targets

(¥ billion; percentage of net sales in parentheses)

	Projected	Medium-Term Management Plan					
	Year to 3/08	Year to 3/09	Year to 3/10	Year to 3/11	Year to 3/12	Year to 3/13	
Net Sales • Growth rate	2,234.0	2,494.0 +11.6%	2,590.4 +3.9%	2,695.0 +4.0%	2,804.3 +4.1%	2,925.9 +4.3%	
Gross Profit	191.3 (8.56)	208.4 (8.36)	214.6 (8.29)	223.1 (8.28)	228.0 (8.13)	237.6 (8.12)	
SG&A Expenses	166.1 (7.44)	176.8 (7.09)	182.5 (7.04)	181.9 (6.75)	181.8 (6.48)	182.3 (6.23)	
Operating Income	25.2 (1.13)	31.6 (1.27)	32.2 (1.24)	41.2 (1.53)	46.2 (1.65)	55.3 (1.89)	
Ordinary Income	39.0 (1.75)	46.2 (1.85)	39.6 (1.53)	48.9 (1.81)	54.2 (1.93)	63.7 (2.18)	
Net Income	23.5 (1.05)	27.9 (1.12)	21.2 (0.82)	27.0 (1.00)	29.0 (1.03)	36.1 (1.24)	



Five-Year Capital Investment Plan

¥167 billion (Operating cash flow for 5 years)

¥108 billion
(Total planned investment for 5 years)

¥96 billion
(Distribution center investment)

¥66 billion
(Mediceo)

¥30 billion
(Paltac)

Investment in new information systems

¥59 billion
(Dividends, retained earnings, etc.)

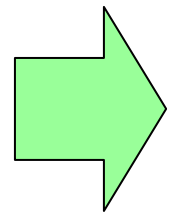
Dividend Policy

Aim for a payout ratio of 25%
by the year ending March 2011

**Payout
Ratio**

Year to March 2008

20%



Year to March 2011

25%

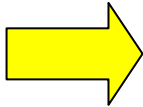
Note: The payout ratio target is calculated set excluding goodwill (SG&A expenses) and negative goodwill (non-operating income).

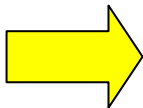
2. Medium-Term Management Plan (Mediceo Business)

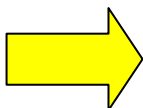


Vision of the Mediceo Business in 5 Years

Our vision for the year ending March 2013

Net Sales Year to March 2008
¥1,649.7 billion  **Over
¥2 trillion**

SG&A Ratio Year to March 2008
6.94%  **5-6%**

Operating Margin Year to March 2008
1.25%  **Over 2%**

2. Medium-Term Management Plan (Mediceo Business)

Mediceo Business Performance Targets



(¥ billion; percentage of net sales in parentheses)

	Forecast	Medium-Term Management Plan					
	Year to 3/08	Year to 3/09	Year to 3/10	Year to 3/11	Year to 3/12	Year to 3/13	
Net Sales	1,649.7	1,715.2	1,789.9	1,873.7	1,963.6	2,066.8	
• Growth rate		+4.0%	+4.4%	+4.7%	+4.8%	+5.3%	
Gross Profit	135.0 (8.19)	140.6 (8.20)	145.0 (8.10)	151.8 (8.10)	155.1 (7.90)	163.3 (7.90)	
SG&A Expenses	114.4 (6.94)	116.0 (6.76)	119.2 (6.66)	119.9 (6.40)	120.2 (6.12)	120.1 (5.81)	
Operating Income	20.6 (1.25)	24.7 (1.44)	25.8 (1.44)	31.9 (1.70)	34.9 (1.78)	43.2 (2.09)	

2. Medium-Term Management Plan (Mediceo Business)



Market Forecast for Brand-Name & Generic Drugs

(¥ trillion)

		Year to 3/08	Year to 3/09	Year to 3/10	Year to 3/11	Year to 3/12	Year to 3/13
Market size (Delivery price basis)		6.98	7.07	7.16	7.20	7.28	7.31
•Growth rate			+1.3%	+1.3%	+0.6%	+1.1%	+0.4%
Brand-name drugs	(Value)	(6.58)	(6.63)	(6.62)	(6.60)	(6.55)	(6.51)
	Volume*	83	82	78	76	72	70
Generic drugs	(Value)	(0.40)	(0.44)	(0.54)	(0.60)	(0.73)	(0.80)
	Volume*	17	18	22	24	28	30

* Volume shows percentage comparison of brand-name and generic drugs.

(Data compiled by Mediceo Paltac)



Doubling of the market for generic drugs by the year to March 2013 will lower the average wholesale price of prescription drugs overall, reducing market growth for each year.

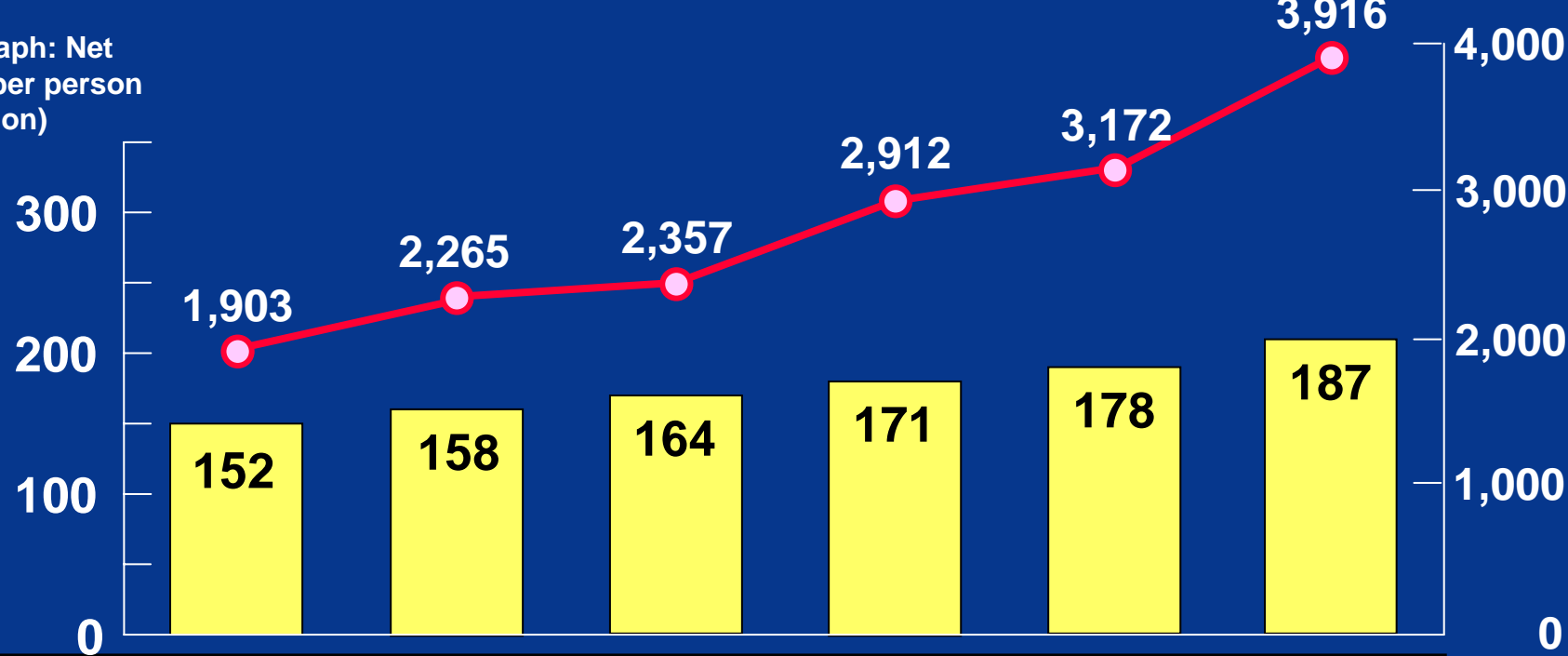
2. Medium-Term Management Plan (Mediceo Business)



Net Sales & Operating Income per Person

Bar graph: Net sales per person (¥ million)

Line graph: Operating income per person (¥ thousand)



	Year to 3/08	Year to 3/09	Year to 3/10	Year to 3/11	Year to 3/12	Year to 3/13
Net Sales (¥ Billion)	1,649.7	1,715.2	1,789.9	1,873.7	1,963.6	2,066.8
Operating Income (¥ billion)	20.6	24.7	25.8	31.9	34.9	43.2
Total staff (Full-time employees incl. in above)	10,822 (8,289)	10,884 (8,275)	10,932 (8,219)	10,960 (8,138)	11,008 (8,073)	11,028 (7,976)

Prescription Pharmaceutical Market Forecast by Sales Channel

(¥ trillion)

	Year to 3/08	Year to 3/09	Year to 3/10	Year to 3/11	Year to 3/12	Year to 3/13
Market size (Delivery price basis)	6.98	7.07	7.16	7.20	7.28	7.31
-Growth rate		+1.3%	+1.3%	+0.6%	+1.1%	+0.4%
Hospital market	(2.23)	(2.19)	(2.11)	(2.05)	(1.96)	(1.88)
Clinic market	(1.52)	(1.51)	(1.49)	(1.47)	(1.45)	(1.42)
Pharmacy market	(3.23)	(3.37)	(3.56)	(3.68)	(3.87)	(4.01)

(Data compiled by Mediceo Paltac)



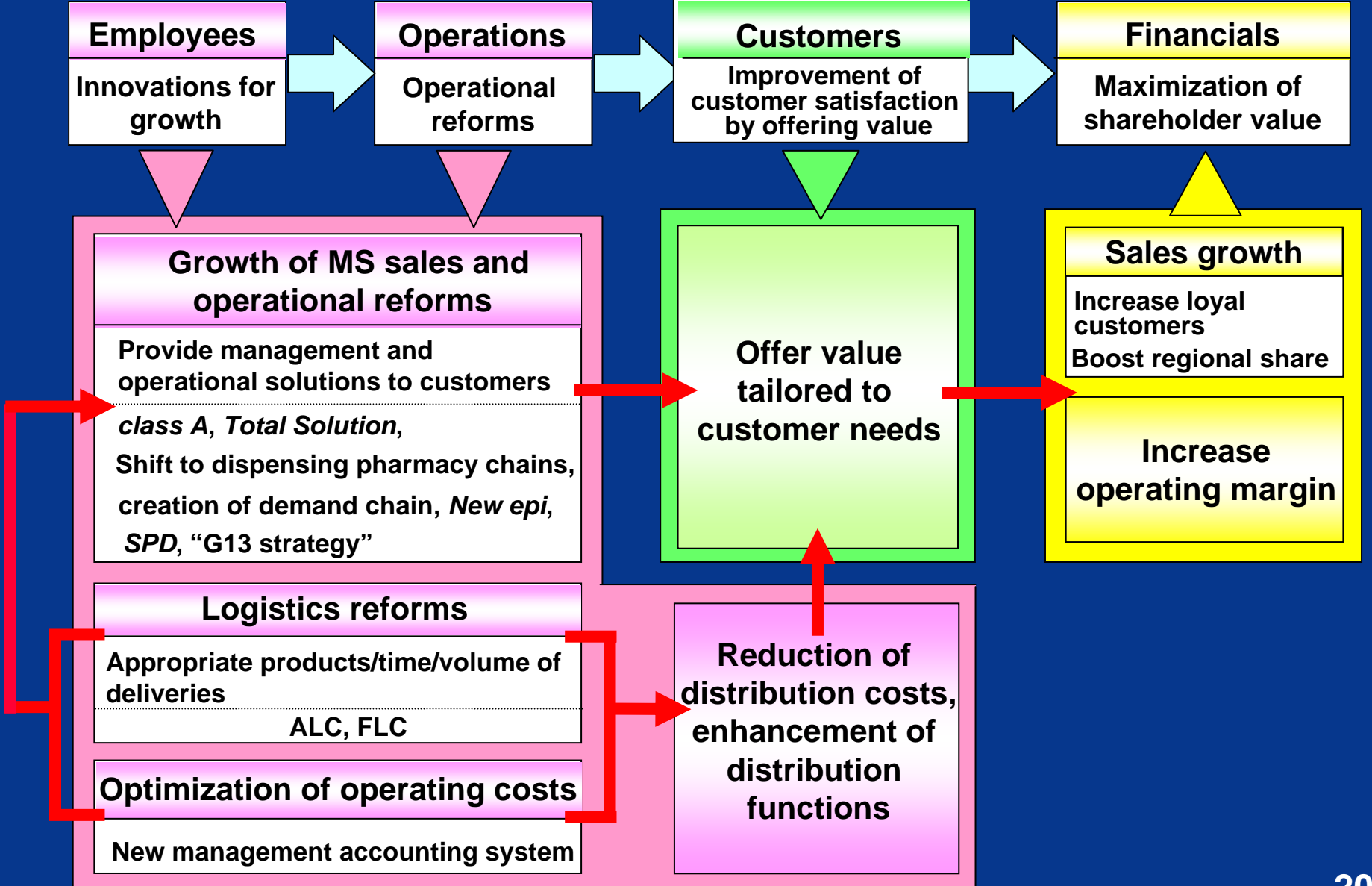
The pharmacy market will expand to ¥4 trillion by the year ending March 2013

Core Strategies of Mediceo Business

Strategic area	Customer need	Core strategy	Objective
1. Sales	① Accurate, timely drug information	Enhance MS functions by increasing functionality of information terminals	Increase evaluation of MS functions
	② Management improvement and organization	Provide of <i>class A</i> and <i>Total Solution Models</i> ; support expansion of dispensing pharmacy chains	Build customer loyalty
	③ Optimization of standing inventories	Promote demand chain	Build customer loyalty
	④ Reduction of inventory management work	Promote <i>New epi</i> and <i>SPD</i>	Reduce customers' administrative costs
2. Distribution	Appropriate products/ time/volume of deliveries	Improve and expand distribution with ALC and FLC	Maximize customer satisfaction and reduce distribution costs 30%
3. Merchandise	① Doubling of generic drugs	Create and implement "G13 strategy"	Achieve market share of 30% or more
	② Reduction of medical material management work and appropriate inventories	Research standard kit necessary for medical treatment and surgery	Offer a standard kit
4. Management	Organizational management	Introduce new management accounting system	Optimize costs and raise operating margin



Strategy Road Map



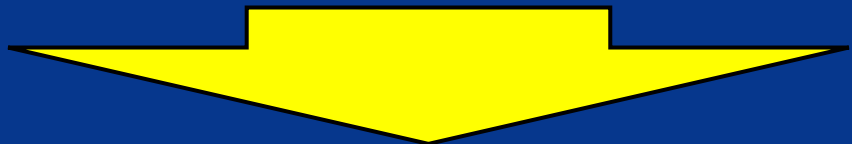


Effect of ALC Investment on Distribution Costs

● Estimate with ALC Model

◆ Breakdown of investment (¥ million) ◆ Distribution cost reduction effect (¥ million)

Investment item	Investment amount		Current	ALC model	Reduction effect	Reduction rate
Land	3,750	Warehousing costs	662	650	(-12)	2%
Buildings	3,000	Transport costs	318	45	(-273)	86%
Equipment	2,300	Delivery costs	1,118	992	(-126)	11%
		Administrative costs	500	271	(-229)	26%
Total	9,050	Total	2,598	1,958	(-640)	25%



We plan to recover investment in buildings & equipment within 8 years

Estimated Effect of BIC, Distribution Reforms

● Change in distribution costs of Mediceo business due to distribution reforms

(¥ billion)

	Year to March 2008		Year to March 2013		
	Forecast	Percent of net sales	Plan	Percent of net sales	vs. 2008
Net Sales	1,649.7		2,066.8		125%
Gross Profit	135.0	8.2%	163.3	7.9%	121%
(Distribution costs)	37.9	2.3%	35.9	1.7%	95%
(Other costs)	76.5	4.6%	84.2	4.1%	110%
Total SG&A Expenses	114.4	6.9%	120.1	5.8%	105%
Operating Income	20.6	1.3%	43.2	2.1%	210%



Planned 0.6 point reduction in Mediceo business distribution costs by the year ending March 2013

Medium-Term Business Policies:

- 1. Offer solutions that increase customer satisfaction.**
- 2. Strengthen logistics to create and broaden our demand chain.**
- 3. Contribute to the market penetration of prescription pharmaceuticals with a focus on new drugs.**
- 4. Diversify revenue sources using merchandise strategies.**

2. Medium-Term Management Plan (Mediceo Business)



Development of Pharmaceutical Distribution Business in China

Our concept: Joint business development in partnership with a major Chinese wholesaler



Preparations have reached the final stage

Establish a new company

Pharmaceutical distribution know-how



Strength among Chinese multinationals

Major Chinese wholesaler

International operations expertise

Mitsubishi Corp.

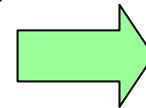
3. Medium-Term Management Plan (Paltac Business)

Business strategy targets for year to March 2013

Net Sales

Year to March 2008

¥537.6 billion

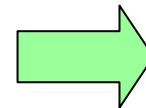


¥800.0 billion

**SG&A Expenses
(SG&A Ratio)**

Year to March 2008

¥42.1 billion
(7.82%)

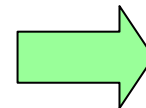


**¥56.9 billion
(7.11%)**

**Operating Income
(Operating Margin)**

Year to March 2008

¥8.4 billion
(1.57%)



**¥13.0 billion
(1.63%)**

3. Medium-Term Management Plan (Paltac Business)

Paltac Business Performance Targets



(¥ billion; percentage of net sales in parentheses)

		Forecast	Medium-Term Management Plan					
		Year to 3/08	Year to 3/09	Year to 3/10	Year to 3/11	Year to 3/12	Year to 3/13	
Paltac Corp. (non-consolidated)	Net Sales	537.6	722.2	742.5	762.2	781.6	800.0	
	•Growth rate		+34.3%	+2.8%	+2.7%	+2.5%	+2.4%	
	Gross Profit	50.5 (9.36)	63.7 (8.83)	65.3 (8.79)	66.9 (8.78)	68.4 (8.75)	69.9 (8.74)	
	SG&A Expenses	42.1 (7.82)	53.1 (7.36)	55.8 (7.52)	55.7 (7.31)	56.3 (7.20)	56.9 (7.11)	
	Operating Income	8.4 (1.57)	10.6 (1.47)	9.5 (1.28)	11.2 (1.47)	12.1 (1.55)	13.0 (1.63)	
	Ordinary Income	9.2 (1.71)	11.6 (1.61)	10.2 (1.38)	12.0 (1.57)	13.0 (1.66)	14.0 (1.75)	
Goodwill adjustment	-2.2	-3.5	-3.5	-2.4	-1.2	-1.2		
Segment operating income	6.2	7.1	6.0	8.8	10.9	11.8		

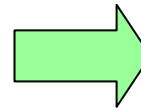
*Figures for years 3/09 through 3/13 include Kobashou's projected results.

● Simulation of Kobashou's Performance in Year to March 2013

Net Sales

Year to March 2008

¥165.9 billion

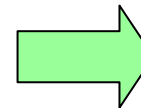


¥176.1 billion

**SG&A Expenses
(SG&A Ratio)**

Year to March 2008

¥12.6 billion
(7.58%)

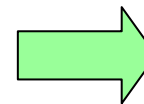


**¥11.9 billion
(6.77%)**

**Operating Income
(Operating Margin)**

Year to March 2008

¥0.4 billion
(0.24%)



**¥1.5 billion
(0.85%)**

Medium-Term Business Policy:

Intermediate Distribution Innovation

--Enhance Our Top-Level Functions as a National Wholesaler--

Maximize customer satisfaction and minimize distribution costs with the following measures:

- (1) Improve store solution functions and create new sales functions.**
- (2) Aim for one-stop distribution to help customers reduce costs (contribute to supply chain management).**
- (3) Expand our multi-channel wholesaling model nationwide.**
- (4) Enhance profitability by reducing costs and increasing productivity.**
- (5) Create a solid business foundation with the aim of sustained growth.**



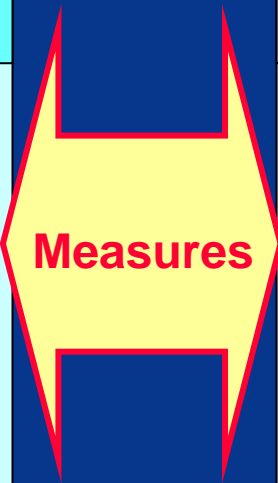
Core Strategies of Paltac Business – (1)

(1) Improve store solution functions and create new sales functions.

Customers & Suppliers

Diversifying needs:

- ◆ Sales space improvement
- ◆ Profit improvement
- ◆ Work standardization
- ◆ Merchandise improvement
- ◆ Distribution improvement
- ◆ Cost improvement



Paltac

- ◆ “Team sales” by specialized staff
- ◆ Suggestions for optimizing sales spaces
- ◆ Response to specific distribution needs

Build win-win relationships through collaboration with partner companies



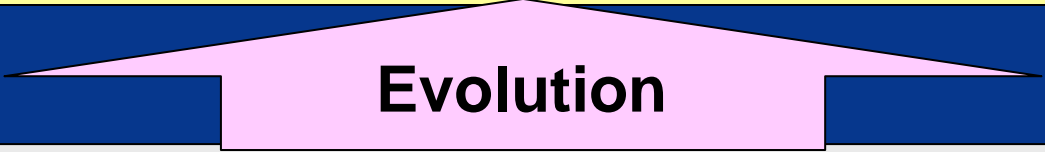
Core Strategies of Paltac Business – (2)

(2) Aim for one-stop distribution to help customers reduce costs (contribute to supply chain management).

Medium-term focus

Ongoing proactive equipment investment aimed at one-stop distribution

- (1) New RDC construction: Hokkaido, Tohoku, Kanagawa, other regions (total investment: ¥30.0 billion)
- (2) Promotion of staff reductions and automation, response to next-generation EDI
- (3) Response to specific distribution needs of customers (Provision of cross-dock functions, acceptance of bulk returns, dedicated centers, etc.)



Evolution

Until now

Proactive distribution investment (¥52.0 billion invested since 1999)

- Secured distribution capacity in anticipation of sales growth
- Achieved uniform, high-quality distribution nationwide at low cost
- Deployed original know-how to help customers make store operations more efficient (99.999% delivery accuracy, category delivery)

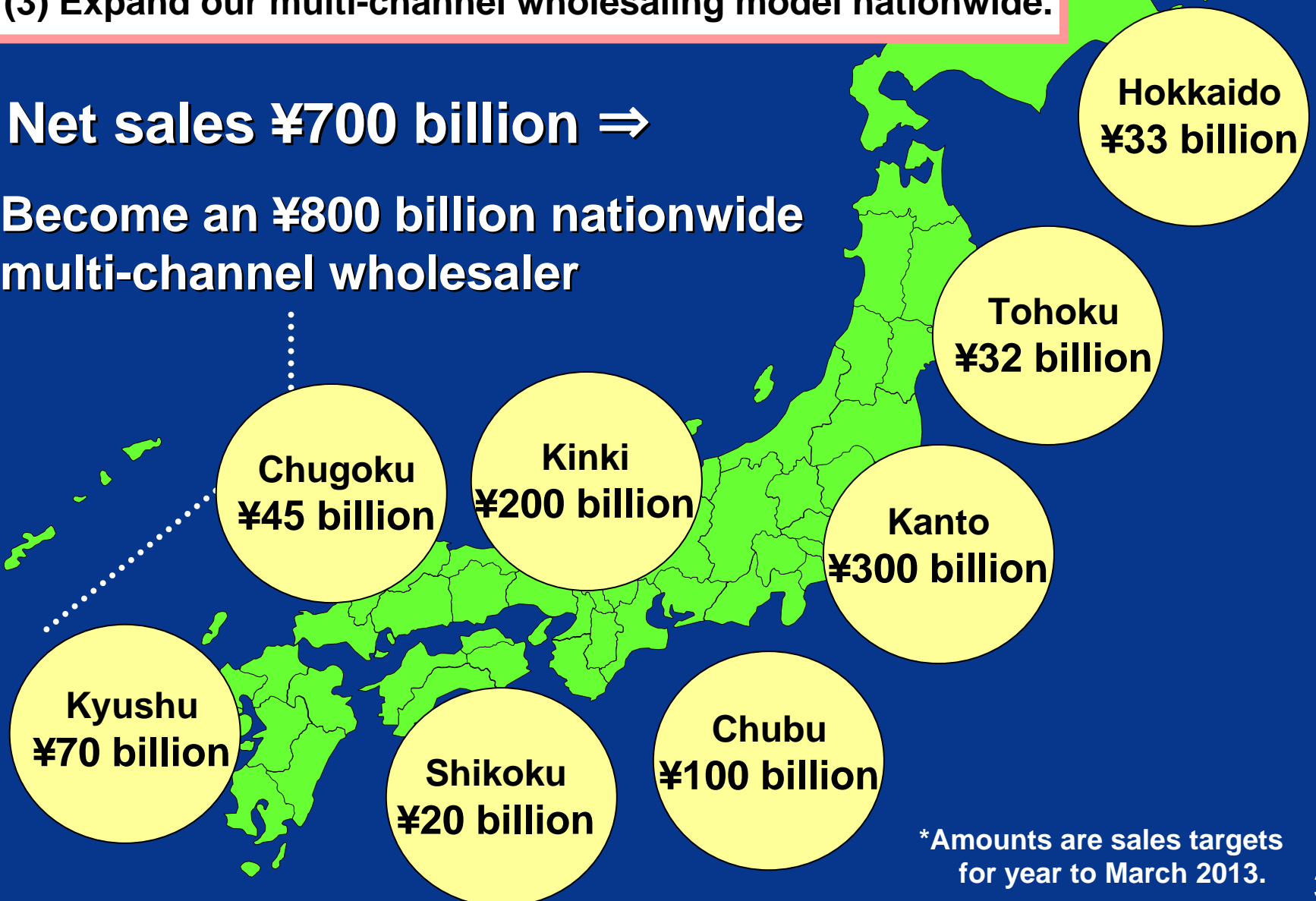


Core Strategies of Paltac Business — (3)

(3) Expand our multi-channel wholesaling model nationwide.

Net sales ¥700 billion ⇒

Become an ¥800 billion nationwide multi-channel wholesaler



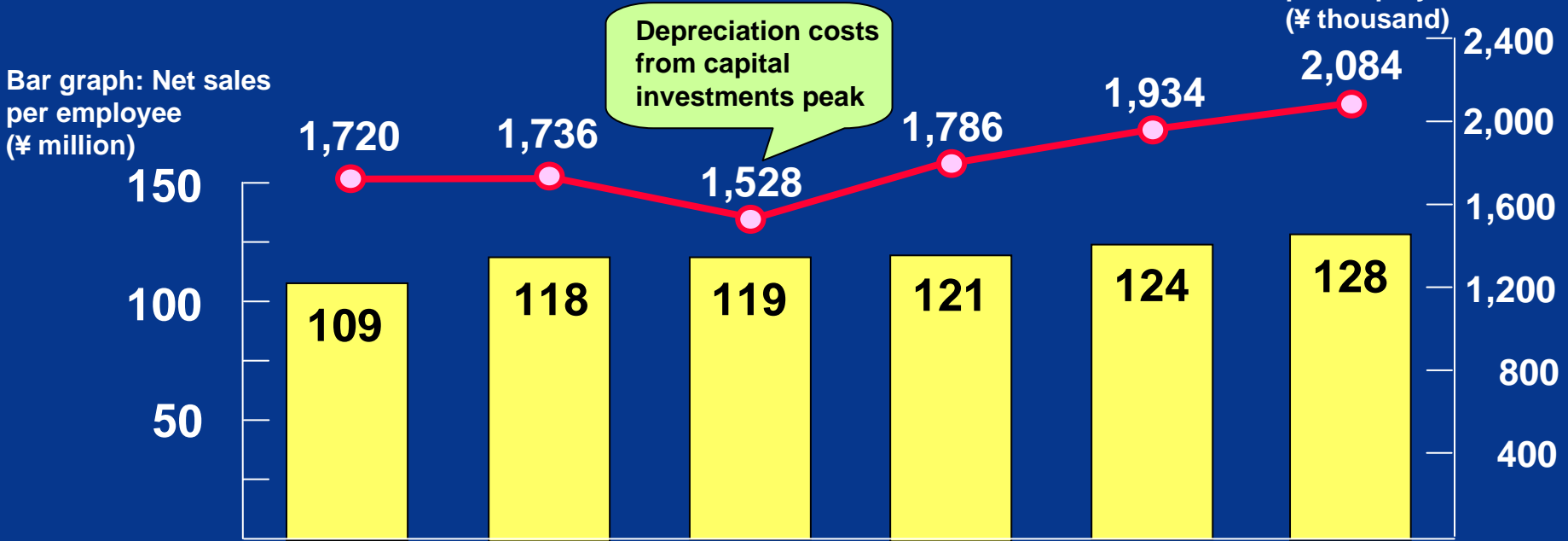
*Amounts are sales targets for year to March 2013.



Core Strategies of Paltac Business – (4)

(4) Enhance profitability by reducing costs and increasing productivity.

● **Planned Net Sales & Operating Income per Employee**



	Year to 3/08	Year to 3/09	Year to 3/10	Year to 3/11	Year to 3/12	Year to 3/13
Net Sales (¥ billion)	537.6	722.2	742.5	762.2	781.6	800.0
Operating Income (¥ billion)	8.4	10.6	9.5	11.2	12.1	13.0
Total staff (Full-time employees incl. in above)	4,913 (2,179)	6,107 (2,638)	6,217 (2,614)	6,271 (2,595)	6,255 (2,579)	6,237 (2,561)
Depreciation (¥ billion)	2.7	2.7	3.8	3.7	3.1	2.6

(5) Create a solid business foundation with the aim of sustained growth.

■ **Enhance career development of employees**

- Rewarding work environment
- Compensation among highest in the industry
- Technical and knowledge education

■ **Move from creation to establishment of internal controls**

- CSR improvement
- Strengthening of compliance system
- Measures to address environmental issues

■ **Strengthen risk management**

- Response to disaster risk to ensure continuity of business activities

A New Start with a New Name

As of April 1, 2008

New company name

PALTAC KS CORPORATION

***A new start toward becoming
the most trusted intermediary distributor!***

Future Projections

This presentation includes statements of future projections concerning Mediceo Paltac HD's business and prospects. These statements reflect Mediceo Paltac HD's analysis at the present time with regard to available information and various trends. Risks and uncertain matters affecting the Company's business could cause actual results to differ from the projections in this presentation.

