

June 29, 2004

KURAYA SANSEIDO Inc.

President: Sadatake Kumakura

Code number: 7459 (First Section, Tokyo Stock Exchange)

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Partial Transfer of Businesses of Wholly Owned Subsidiary

June 29, 2004 – KURAYA SANSEIDO Spin-off Preparation Inc., a wholly owned subsidiary of KURAYA SANSEIDO Inc. (“Kuraya Sanseido”), will take over Kuraya Sanseido’s wholesale distribution of pharmaceutical and other products through a corporate separation and change its name to KURAYA SANSEIDO Inc. on October 1, 2004. At meetings of their Boards of Directors today, KURAYA SANSEIDO Spin-off Preparation Inc. and wholly owned subsidiary EVERLTH Co., Ltd. signed a business transfer agreement under which KURAYA SANSEIDO Spin-off Preparation Inc. (after changing its name to KURAYA SANSEIDO Inc.) will transfer its wholesale distribution of ethical drugs and other products in Okayama and Hiroshima prefectures to EVERLTH Co., Ltd. Details of the agreement are as follows.

1. Reasons for partial transfer of business

Kuraya Sanseido will change its name to MEDICEO Holdings Co., Ltd. and perform a corporate separation on October 1, 2004. Through this corporate separation, KURAYA SANSEIDO Spin-off Preparation Inc. will take over the wholesale distribution of pharmaceutical and other products and change its name to KURAYA SANSEIDO Inc. (“the new Kuraya Sanseido”) on the same day.

EVERLTH Co., Ltd. (“EVERLTH”), a wholly owned subsidiary of Kuraya Sanseido, conducts wholesale distribution of pharmaceutical and other products through its five bases in the Chugoku region. In addition, the new Kuraya Sanseido, which will take over Kuraya Sanseido’s pharmaceuticals and other wholesale businesses, will also take over bases in Okayama City, Okayama Prefecture and Hiroshima City, Hiroshima Prefecture.

Aiming for efficient distribution and information processing that will increase the operating efficiency of the new Kuraya Sanseido and EVERLTH, the new Kuraya Sanseido will unify operations by transferring its wholesale distribution of pharmaceutical and other products in Okayama and Hiroshima Prefectures to EVERLTH.

2. Details of transfer of businesses from the new Kuraya Sanseido to EVERLTH

(1) Businesses being transferred

Wholesale distribution of pharmaceutical and other products in Okayama and Hiroshima Prefectures

(2) Results of businesses being transferred (Net sales for year ended March 31, 2004)

Okayama	¥4,187 million
Hiroshima	¥4,183 million
Total	¥8,370 million

3. Outline of KURAYA SANSEIDO Spin-off Preparation Inc. (as of June 29, 2004)

- (1) Corporate name: KURAYA SANSEIDO Spin-off Preparation Inc.
- (2) Principal business: Necessary preparations for the transfer of the current Kuraya Sanseido's wholesale distribution of pharmaceutical and other products through a corporate separation
- (3) Date of establishment: April 1, 2004
- (4) Head office: 7-15, Yaesu 2-chome, Chuo-ku, Tokyo
- (5) Representative: Shuichi Watanabe, President and Representative Director (Currently, Director of Kuraya Sanseido, Director of Pharmaceuticals Sales Division)
- (6) Paid-in capital: ¥100 million
- (7) Number of employees: 0
- (8) Major shareholders and percentage of shares held:

Shareholder	Number of shares	Percentage
KURAYA SANSEIDO Inc.	1 share	100.0%

4. Outline of EVERLTH Co., Ltd. (as of June 29, 2004)

- (1) Corporate name: EVERLTH Co., Ltd.
- (2) Principal business: Wholesale distribution of pharmaceutical and other products
- (3) Date of establishment: April 14, 1950
- (4) Head office: 3-1, Kanayamacho, Naka-ku, Hiroshima
- (5) Representative: Takashi Saito, President and Representative Director (currently director of Kuraya Sanseido)
- (6) Paid-in capital: ¥1,510 million
- (7) Number of employees: 815 (as of March 31, 2004)
- (8) Major shareholders and percentage of shares held:

Shareholder	Number of shares	Percentage
KURAYA SANSEIDO Inc.	17.4 million shares	100.0%

5. Schedule

June 29, 2004	Meetings of the Board of Directors of both subsidiaries
June 29, 2004	Signing of business transfer agreement between both subsidiaries
October 1, 2004	Transfer of businesses (scheduled)

6. Impact of partial transfer of businesses on consolidated and nonconsolidated results

This partial transfer will have no effect on Kuraya Sanseido's consolidated results. Effects on nonconsolidated results were announced on July 28, 2004 in the "Summary of Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2005." On October 1, 2004, Kuraya Sanseido will change its name to MEDICEO Holdings Co., Ltd. and implement a corporate separation. The impact on nonconsolidated results is not presented at this time due to certain undetermined details concerning the separation.

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