

February 1, 2005

MEDICEO Holdings Co., Ltd.

President: Sadatake Kumakura

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

Contact: Kikuo Miki, Executive Managing Director and
Corporate Communication Section Head

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Share Exchange Agreement with Chiyaku Co., Ltd.

February 1, 2005 – The Board of Directors of MEDICEO Holdings Co., Ltd. (“MEDICEO Holdings”) today resolved to make Chiyaku Co., Ltd. (“Chiyaku”) a wholly owned subsidiary of MEDICEO Holdings through an exchange of shares, effective April 1, 2005. In addition, the share exchange agreement was signed today. Details are as follows.

1. Reason for Implementing the Exchange of Shares

MEDICEO Holdings acquired 51 percent of the shares of Chiyaku on October 30, 2000, and both companies have been cooperating as group companies to aggressively enhance and strengthen their operating bases. Amid these circumstances, both companies agreed to the share exchange after MEDICEO Holdings determined it best to make Chiyaku a wholly owned subsidiary under its business strategy of making the most of the MEDICEO Group’s combined strengths.

2. Terms and Conditions of the Share Exchange Agreement

(1) Share exchange schedule

February 1, 2005	Approval of share exchange agreement by board of directors
February 1, 2005	Signing of share exchange agreement
February 17, 2005	Approval of share exchange agreement at extraordinary shareholders’ meeting of Chiyaku (planned)
April 1, 2005	Date of share transfer (planned)

(2) Share exchange method

On April 1, 2005, MEDICEO Holdings will exchange shares with the shareholders of Chiyaku. MEDICEO Holdings will become the sole parent company of Chiyaku, and Chiyaku will become a wholly owned subsidiary of MEDICEO Holdings.

(3) Simple exchange of shares

In accordance with the provisions of Article 358-1 of the Commercial Code, MEDICEO Holdings will make the exchange of shares without obtaining approval of the share exchange agreement at MEDICEO Holdings’ general meeting of shareholders.

(4) Share Exchange Ratio

	MEDICEO Holdings Co., Ltd. (parent company)	Chiyaku Co., Ltd. (wholly owned subsidiary)
Share exchange ratio	1	5.328

Notes:

1. Share Allocation Ratio

Chiyaku's shareholders of record on the day before the share exchange date will be granted 5.328 shares of common stock of MEDICEO Holdings for each share of Chiyaku's common stock.

However, the 135,600 shares of common stock of Chiyaku held by MEDICEO Holdings will not be subject to allocation.

2. Basis for Calculation of Share Exchange Ratio

MEDICEO Holdings and Chiyaku retained a third-party institution, Nikko Cordial Securities Inc., to calculate the share allocation ratio, and decided on the share allocation ratio above after inter-company discussions based on the methodology and results of the share exchange ratio calculation done by that company.

3. Method, Results and Basis of Calculation by Third-Party Institution

Nikko Cordial Securities Inc. conducted an analysis of MEDICEO Holdings' valuation using the market price method and of Chiyaku's valuation using the adjusted net assets method, comparisons with other similar companies and the discounted cash flow method. The results of each analysis were considered in calculating the share exchange ratio of MEDICEO Holdings and Chiyaku.

(5) Shares to be Allocated through the Share Exchange

MEDICEO Holdings will use treasury shares in lieu of the issuance of new stock for all of the shares of common stock (694,771 shares) to be allocated upon the share exchange.

(6) Amount of Increase in Capital and Capital Reserve

I. Capital: The exchange of shares will not increase capital.

However, capital may increase between January 1, 2005 and March 31, 2005 due to conversion requests for the second series of the Company's first issue of unsecured convertible bonds.

II. Capital Reserve: The capital reserve will increase by the amount of Chiyaku's net assets that remain outstanding on the effective date of the share exchange, multiplied by the ratio of the number of shares to be transferred to MEDICEO Holdings upon the share exchange to the total number of issued shares of Chiyaku, less the total book value of treasury shares that MEDICEO Holdings allocates to Chiyaku shareholders.

However, the capital reserve will not increase in the event that this formula does not result in an increase.

(7) Dividends

- (a) MEDICEO Holdings will be able to pay a year-end dividend of ¥6 per share, up to a total amount of ¥1,133,841.402, to its shareholders of record or registered holders of rights as of March 31, 2005.

However, this total amount may increase with any increase in the number of shares outstanding due to conversion requests for the second series of the Company's first issue of unsecured convertible bonds between January 1, 2005 and March 31, 2005.

- (b) Chiyaku is able to pay a year-end dividend of ¥25 per share, up to a total amount of ¥6,650,000, to its shareholders of record or registered holders of rights as of March 31, 2005.

(8) Subsidy for Exchange of Shares

No subsidy will be paid to shareholders or holders of rights for the exchange of shares.

(9) Terms of MEDICEO Holdings' Directors and Auditors Appointed before the Exchange of Shares

The terms of office of persons who were appointed as directors or auditors of MEDICEO Holdings before the exchange of shares shall be the terms that would have applied if the share exchange had not taken place.

3. Situation of MEDICEO Holdings after the exchange of shares

- (1) Corporate name: MEDICEO Holdings Co., Ltd.
(2) Business area: Wholesale distribution of pharmaceutical products, etc.
(3) Head office: 7-15, Yaesu 2-chome, Chuo-ku, Tokyo
(4) Representative: Sadatake Kumakura, President and Representative Director
(5) Paid-in capital: ¥17,728 million

4. Situation of Chiyaku after the exchange of shares

- (1) Corporate name: Chiyaku Co., Ltd.
(2) Principal business: Wholesale distribution of pharmaceutical products, etc.
(3) Head office: 3-2, Tonya-cho, Chuo-ku, Chiba
(4) Representative: Keiji Koike, President and Representative Director
(5) Paid-in capital: ¥133 million

5. Effect of the share exchange on consolidated and non-consolidated results

Because Chiyaku is already a consolidated subsidiary of MEDICEO Holdings, making it a wholly owned subsidiary will have a negligible effect on consolidated results and no effect on non-consolidated results for the year ending March 31, 2006 and subsequent fiscal years.

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For reference:

Overview of Companies Party to the Share Exchange (1)

(As of September 30, 2004)

Corporate name	MEDICEO Holdings Co., Ltd.* (Sole parent company (planned))	Chiyaku Co., Ltd.* (Wholly owned subsidiary (planned))																				
Principal business	Wholesale distribution of pharmaceuticals, etc.	Wholesale distribution of pharmaceuticals, etc.																				
Founded	1898	1695																				
Date established	May 6, 1923	July 1, 1953																				
Head office	7-15, Yaesu 2-chome, Chuo-ku, Tokyo	3-2, Tonya-cho, Chuo-ku, Chiba																				
Representative	Sadatake Kumakura, President and Representative Director	Keiji Koike, President and Representative Director																				
Paid-in capital	¥17,728 million**	¥133 million***																				
Number of outstanding shares	188,973,567 shares**	266,000 shares***																				
Shareholders' equity	¥196,768 million	¥1,526 million																				
Total assets	¥656,998 million	¥12,428 million																				
Fiscal year end	March 31	March 31**																				
Number of employees	845*	185																				
Major suppliers and customers	<p>Suppliers: Takeda Pharmaceutical Company Limited, Yamanouchi Pharmaceutical Co., Ltd., Pfizer Japan Inc., Chugai Pharmaceutical Co., Ltd., Eisai Co., Ltd., Otsuka Pharmaceutical Co., Ltd., Novartis Pharma K.K., Daiichi Pharmaceutical Co., Ltd., AstraZeneca KK, Mitsubishi Pharma Corp.</p> <p>Customers: Consolidated subsidiaries, hospitals, clinics, pharmacies and others</p> <p>Sales Region*: The sales area of the 9 consolidated subsidiaries conducting wholesale distribution of pharmaceuticals, etc., to which the company provides integrated supply consists of 42 prefectures of Japan, excluding the 4 prefectures of Shikoku and Okinawa.</p>	<p>Suppliers: KURAYA SANSEIDO Inc. (currently MEDICEO Holdings Co., Ltd.), Takeda Pharmaceutical Company Limited, Chugai Pharmaceutical Co., Ltd., Novartis Pharma K.K., Mitsubishi Pharma Corp., Bayer Ltd., Daiichi Pharmaceutical Co., Ltd., Dainippon Pharmaceutical Co., Ltd., Pfizer Japan Inc.</p> <p>Customers: Hospitals, clinics, pharmacies and others</p> <p>Sales Region: Chiba</p>																				
Major shareholders and percentage of total shares held****	<table border="0"> <tr> <td>1. Takeda Pharmaceutical Company Limited</td> <td>11.2%</td> </tr> <tr> <td>2. Employees' Shareholders Assn.</td> <td>5.9%</td> </tr> <tr> <td>3. Japan Trustee Services Bank, Ltd. (trust account)</td> <td>4.1%</td> </tr> <tr> <td>4. The Master Trust Bank of Japan, Ltd. (trust account)</td> <td>4.0%</td> </tr> <tr> <td>5. The Chase Manhattan Bank N.A. London</td> <td>3.2%</td> </tr> </table>	1. Takeda Pharmaceutical Company Limited	11.2%	2. Employees' Shareholders Assn.	5.9%	3. Japan Trustee Services Bank, Ltd. (trust account)	4.1%	4. The Master Trust Bank of Japan, Ltd. (trust account)	4.0%	5. The Chase Manhattan Bank N.A. London	3.2%	<table border="0"> <tr> <td>1. MEDICEO Holdings Co., Ltd.</td> <td>51.0%</td> </tr> <tr> <td>2. Keiji Koike</td> <td>15.7%</td> </tr> <tr> <td>3. Employees' Shareholders Assn.</td> <td>14.4%</td> </tr> <tr> <td>4. Sadako Koike</td> <td>10.9%</td> </tr> <tr> <td>5. Kazukatsu Shiramasa</td> <td>1.9%</td> </tr> </table>	1. MEDICEO Holdings Co., Ltd.	51.0%	2. Keiji Koike	15.7%	3. Employees' Shareholders Assn.	14.4%	4. Sadako Koike	10.9%	5. Kazukatsu Shiramasa	1.9%
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Main banks	Mizuho Bank, Ltd., Resona Bank, Ltd., The Bank of Tokyo-Mitsubishi, Ltd., Sumitomo Mitsui Banking Corporation, UFJ Bank, Ltd.	The Chiba Bank, Ltd., Mizuho Bank, Ltd., The Shoko Chukin Bank																				
Inter-company relationships	Equity relationship	MEDICEO Holdings holds 51.0% of the shares of Chiyaku																				
	Personnel relationships***	One of Chiyaku's 5 directors has been dispatched as an employee on loan to KURAYA SANSEIDO Inc., a wholly owned subsidiary of MEDICEO Holdings. Both of its corporate auditors are employees of KURAYA SANSEIDO Inc., one on loan and one holding concurrent positions. There are no employees on loan to Chiyaku from MEDICEO Holdings or KURAYA SANSEIDO Inc.																				
	Business relationship	Chiyaku receives approximately 90% of its total supply from MEDICEO Holdings.																				

* As of October 1, 2004

****As of September 30, 2004 (MEDICEO Holdings) or February 1, 2005 (Chiyaku)

** As of December 31, 2004

*** As of January 31, 2005

Overview of Companies – (2)
Results from the latest three fiscal terms

MEDICEO Holdings Co., Ltd.

(Millions of yen)

Fiscal year ended	Consolidated			Non-consolidated		
	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2002	March 31, 2003	March 31, 2004
Net sales	1,222,221	1,274,502	1,283,925	1,116,754	1,200,543	1,218,355
Operating income	5,780	10,159	15,354	5,917	8,286	10,542
Ordinary income	9,130	13,644	19,312	9,060	11,572	13,819
Net income	2,950	5,015	7,878	3,581	4,957	6,359
Net income per share (¥)	21.67	36.48	55.19	26.30	36.24	44.71
Cash dividends per share (¥)	/			12.00	12.00	12.00
Shareholders' equity per share (¥)	823.75	828.14	893.84	823.65	829.40	881.98

Chiyaku Co., Ltd.

(Millions of yen)

Fiscal year ended	Consolidated			Non-consolidated		
	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2002	March 31, 2003	March 31, 2004
Net sales	/			25,745	26,376	27,553
Operating income	/			122	274	385
Ordinary income	/			202	349	474
Net income	/			75	137	252
Net income per share (¥)	/			282.88	515.45	877.00
Cash dividends per share (¥)	/			50.00	50.00	50.00
Shareholders' equity per share (¥)	/			3,803.20	4,245.69	5,168.18