

April 18, 2005

MEDICEO Holdings Co., Ltd.

President & Chief Executive Officer: Sadatake Kumakura
Code number: 7459 (First Section, Tokyo Stock Exchange)
Contact: Kikuo Miki, Executive Managing Director
and Corporate Communication Section Head
Phone: +81-3-3517-5171

PALTAC CORPORATION

Representative Director/Chief Executive Officer: Kunio Mikita
Code number: 8283 (JASDAQ)
Contact: Yoshiyuki Hakoda, Executive Director
Chief Financial Officer
Phone: +81-6-6262-1287

**Notice of Agreement with PALTAC CORPORATION on Management
Integration and Share Exchange, Change of Company Name and Increase in
Representative Directors**

April 18, 2005 – MEDICEO Holdings Co., Ltd. (“MEDICEO Holdings”) and PALTAC CORPORATION (“PALTAC”) today resolved at their respective Board of Directors’ meetings to fully integrate their management in a spirit of equality by making PALTAC a wholly owned subsidiary through an agreed share exchange effective October 1, 2005. MEDICEO Holdings also informally decided at the meeting of its Board of Directors today to change its name and increase the number of representative directors, effective on the share exchange date. Details are as follows.

I. About the Management Integration

1. Objectives of the Management Integration

As wholesale distributors, the two companies are among the leaders in their respective industries – MEDICEO Holdings in pharmaceuticals and PALTAC in cosmetics and household goods. By combining their resources and expertise, the two companies will make the most of their strengths and supplement each other’s weaknesses to make the new company’s business foundation as strong as possible.

The integration aims to create a next-generation wholesale company that possesses superior capabilities for supporting health and beauty and is trusted by customers for its responsiveness to deregulation and other changes in the business environment. The new company will pursue customer satisfaction and provide solutions as a general wholesaler handling a full range of consumer-oriented health, beauty care and household products, allowing it to offer entirely new value that the two companies could not have achieved operating in separate industries.

Moreover, by integrating the two companies’ sales and distribution networks and upgrading logistics services to build a low-cost, efficient supply chain, the merger aims to create a wholesaler that contributes to suppliers and society.

The merger will also benefit the ethical drug wholesale business by allowing the entire MEDICEO Group to utilize the resulting merchandising functions and logistics technologies to further raise the level of service and reduce costs.

PALTAC is a leading national wholesaler of daily necessities, toiletries and cosmetics. As part of its business strategy of mobilizing total Group capabilities, MEDICEO Holdings will make PALTAC a member of the MEDICEO Group. Both companies agreed to carry out the management integration and share exchange after judging that making PALTAC a wholly owned subsidiary of MEDICEO Holdings would be the best way to transform the MEDICEO Group into a general wholesaler that handles cosmetics and household goods in addition to its established business in pharmaceuticals and medical equipment.

2. Expected Benefits of the Management Integration

At the present stage, the following benefits are expected:

- (1) A stronger business foundation through combination of the two companies' technologies and knowledge resources
- (2) Streamlining through integration of the Healthcare Division and the Beauty and Home Products Division
- (3) Securing and development of personnel for the core health and beauty businesses
- (4) Greater efficiency throughout the supply chain
- (5) Peace of mind and expectations among shareholders and employees due to increased corporate value

II. About the Share Exchange

1. Terms and Conditions of the Share Exchange Agreement

(1) Share exchange schedule

April 18, 2005	Board of Directors meetings held at MEDICEO Holdings and PALTAC
April 18, 2005	MEDICEO Holdings and PALTAC conclude basic agreement on share exchange
May 6, 2005	Record date for voting at PALTAC's extraordinary meeting of shareholders to approve share exchange agreement
Mid-May 2005	Conclusion of share exchange agreement (planned)
Late June 2005	Approval of share exchange agreement at MEDICEO Holdings' ordinary general meeting of shareholders (planned)
Late June 2005	Approval of share exchange agreement at PALTAC's extraordinary meeting of shareholders (planned)
October 1, 2005	Share exchange date (planned)

(2) Share exchange method

MEDICEO Holdings will carry out a share exchange on October 1, 2005 with the shareholders and substantial shareholders of PALTAC. MEDICEO Holdings will become the parent company of PALTAC, which will become a wholly owned subsidiary of MEDICEO Holdings.

(3) Share exchange ratio

	MEDICEO Holdings (Parent company)	PALTAC (Wholly owned subsidiary)
Share exchange ratio	1	1.50

Notes:

1. Share allocation ratio

All shareholders and substantial shareholders of record at the close of the day before the share exchange date will receive 1.50 shares of MEDICEO Holdings common stock for each share of PALTAC common stock they own.

2. Basis of calculation of share exchange ratio

MEDICEO Holdings requested Chuo Aoyama Price Waterhouse Cooper Financial and Risk Management (hereinafter, "Chuo Aoyama Financial") to calculate the share exchange ratio, and PALTAC requested Nomura Securities Co., Ltd. (hereinafter, "Nomura Securities") to do the same. The two companies used the results of these calculations as a reference in determining the above exchange ratio. The above exchange ratio may be changed by agreement of the two companies in the event of a material change in the assumed conditions upon which the ratio was determined.

3. Method, results and basis of calculation by third-party institutions

Chuo Aoyama Financial evaluated MEDICEO Holdings and PALTAC primarily using average stock price, in combination with adjusted book value and discounted cash flow (DCF), and calculated the share exchange ratio using the results after the two companies verified the assumed conditions. The calculations by Chuo Aoyama Financial are not an expression of opinion as stipulated in the interpretation guidelines on independence issued by the Japanese Institute of Certified Public Accountants.

Nomura Securities evaluated MEDICEO Holdings and PALTAC using each company's average stock price, comparisons with similar companies and discounted cash flow, and calculated the share exchange ratio taking into full account the results of these evaluations.

(4) Number of new shares to be issued by MEDICEO Holdings in connection with the share exchange 45,353,485 shares of common stock (planned)

(5) Amount of increase in capital and capital reserves of MEDICEO Holdings

Capital: To be determined by discussion between the two companies

Capital reserves: To be determined by discussion between the two companies

(6) Profit dividend

To be announced when determined

(7) Subsidy for exchange of shares

To be announced when determined

(8) MEDICEO Holdings directors and corporate auditors to be newly appointed on the day of the share exchange

Director Kunio Mikita (currently Representative Director/Chief Executive Officer of PALTAC)

Director Juro Yamagishi (currently Representative Director/Executive Vice President of PALTAC)

Auditor Susumu Takagi (currently Auditor of PLTAC)

(9) Information on delisting of PALTAC shares

PALTAC, which will become a wholly owned subsidiary of MEDICEO Holdings through the share exchange on October 1, 2005, plans to delist its common stock listed on the JASDAQ Stock Exchange (“JASDAQ”) in late September 2005. An additional report will be released when the details are determined according to JASDAQ rules.

III. Change in Corporate Name of MEDICEO Holdings and Profile of the Two Companies after the Share Exchange

1. Reason for the Change in the Corporate Name of MEDICEO Holdings

After this share exchange, the MEDICEO Group will no longer be limited to companies engaged in pharmaceutical wholesale and medical-related businesses. By handling products such as household goods, toiletries and cosmetics, the MEDICEO Group aims for further development as a new general wholesaler that supplies products including cosmetics and daily necessities.

For this reason, MEDICEO Holdings plans to change its present corporate name, effective on the share exchange date of October 1, 2005.

2. New Name and Profile of MEDICEO Holdings after the Share Exchange

(1) New corporate name: Mediceo Paltac Holdings Co., Ltd.

(2) Date of name change: October 1, 2005 (Saturday)

(3) Main businesses: Through stock ownership, the new company controls and supervises subsidiaries in the pharmaceutical wholesale distribution business, medical-related business and cosmetics and daily necessities wholesale business. In addition, the Company serves as the administrative unit for the Group by maintaining functions necessary for group management and listed companies, including purchasing, distribution, financial management, accounting, business planning, public relations and investor relations.

(4) Head office address: 7-15, Yaesu 2-chome, Chuo-ku, Tokyo (same as present address)

(5) Representative directors

President & Chief

Executive Officer Sadatake Kumakura (present position)

Executive Vice President Kunio Mikita (new appointment)
(concurrently Representative Director/Chief Executive Officer of PALTAC)

Executive Vice President Osamu Watanabe (present position)
(concurrently President and Representative Director of ATOL Co., Ltd.)

Executive Vice President Takashi Saito (present position)

(concurrently President and Representative Director of EVERLTH Co., Ltd.)

Executive Vice President Genichiro Tanabe (present position)
(General Manager, Business Planning Division)

(6) Number of shares issued and outstanding: 234,453,688 (planned) (1 unit = 100 shares)

(7) Fiscal year end: March 31

(8) Principal shareholders and percentage of total shares owned

(Calculated from both companies' shareholder registers as of September 30, 2004)

1. Takeda Pharmaceutical Company Limited	9.0%
2. Japan Trustee Services Bank, Ltd.	5.8%
3. Kuraya Sanseido Employees Shareholders' Association	4.8%
4. The Master Trust Bank of Japan, Ltd.	4.6%
5. Astellas Pharma Inc.	2.7%

3. Profile of PALTAC after the Share Exchange

(1) Corporate name: PALTAC CORPORATION

(2) Main business: Wholesale distribution of cosmetics and daily necessities

(3) Head office address: 1-5-9, Minami Kyuhoji-machi, Chuo-ku, Osaka-shi, Osaka

(4) Representative: Kunio Mikita, Representative Director/Chief Executive Officer

(5) Paid-in capital: 5,206 million yen

(6) Fiscal year end: September 30

4. Effect of the Share Exchange on the Consolidated and Non-consolidated Results of MEDICEO Holdings

There will be an effect on consolidated and non-consolidated results for the year ending March 31, 2006. Specific details will be disclosed in, respectively, 2. Forecast of Consolidated Results for the Year Ending March 31, 2006 in the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2005, and 2. Forecast of Non-consolidated Results for the Year Ending March 31, 2006 in the Non-consolidated Financial Statements for the Fiscal Year Ended March 31, 2005, both scheduled to be disclosed in the middle of May 2005.

IV. Increase in Representative Directors (One person) of Mediceo Paltac Holdings Co., Ltd.

1. Reason for the Increase in Representative Directors

Because of this management integration and share exchange, the newly named Mediceo Paltac Holdings Co., Ltd. (hereinafter, "Mediceo Paltac Holdings") will have subsidiaries engaged in the cosmetics and daily necessities wholesale business, in addition to the pharmaceutical wholesale business and medical-related businesses. Therefore, the company will increase the number of representative directors.

2. New Representative Director Appointment (One Person)

Details are as follows concerning the persons to be appointed as Director on October 1, 2005, the share exchange date, by a vote of Mediceo Holdings' Ninety-Sixth Ordinary General Meeting of Shareholders, scheduled to be held in late June 2005, and as Vice President and Representative

Director on the same date by resolution at the meeting of the Board of Directors of Mediceo Paltac Holdings scheduled to be held on October 1, 2005.

Name	Kunio Mikita	
Date of birth	October 23, 1943	
Current address	Higashinada Ward, Kobe	
Education	March 1966	Graduated Kinki University, Faculty of Business Administration, Department of Commercial Science
Employment history	March 1966	Entered Daisho Co., Ltd. (now PALTAC)
	October 1976	Company name changed to PALTAC
	December 1990	Director of PALTAC
	October 1995	Managing Director of PALTAC
	December 1996	Executive Vice President of PALTAC
	December 1998	President of PALTAC
	December 2004	Representative Director/Chief Executive Officer of PALTAC (present position)
	October 2005	Executive Vice President of Mediceo Paltac Holdings (planned)

V. Information Concerning the Two Companies Involved in the Share Exchange

(1) Summary of the Companies

Company name	MEDICEO Holdings Co., Ltd. Parent company (planned)	PALTAC CORPORATION Wholly owned subsidiary (planned)																				
Principal business	Wholesale distribution of pharmaceuticals	Wholesale distributor of cosmetics and daily necessities																				
Founded	1898	1898																				
Date of establishment	May 6, 1923	December 22, 1928																				
Head office address	7-15, Yaesu 2-chome, Chuo-ku, Tokyo	1-5-9, Minami Kyuhoji-machi, Chuo-ku, Osaka-shi, Osaka																				
Representative	Sadatake Kumakura, President & Chief Executive Officer	Kunio Mikita, Representative Director/Chief Executive Officer																				
Paid-in capital	17,786 million yen	5,206 million yen (Note 3)																				
Number of outstanding shares	189,100,203	30,235,657 (Note 3)																				
Shareholders' equity	196,768 million yen (Note 1)	53,259 million yen (Note 1)																				
Total assets	656,998 million yen (Note 1)	141,484 million yen (Note 1)																				
Fiscal year end	March 31	September 30																				
Number of employees	845 (Note 2)	1,935 (Note 1)																				
Major suppliers and customers	<p>Suppliers (Note 1): (Note 3 for company names) Takeda Pharmaceutical Company Limited, Astellas Pharma, Inc., Pfizer Pharmaceutical Inc., Chugai Pharmaceutical Co., Ltd., Eisai Co., Ltd., Otsuka Pharmaceutical Co., Ltd., Novartis Pharma K.K., Daiichi Seiyaku Co., Ltd., AstraZeneca K.K., Mitsubishi Pharma Corporation</p> <p>Customers: Consolidated subsidiaries, hospitals, clinics, pharmacies, etc.</p> <p>Sales Regions: The sales areas of the 9 consolidated subsidiaries in the pharmaceutical wholesale business that conduct bulk purchasing consist of 42 prefectures throughout Japan, excluding Okinawa and the 4 prefectures of Shikoku.</p>	<p>Suppliers (Note 1) : Lion Corporation, Nippon Lever BV, FT Shiseido Co., Ltd., UniCharm Corporation., P&G, Sunstar Inc., Mandom Corporation, Kanebo Home Products Sales Co., Ltd., ST Chemical Corporation, Hoyu Corp.</p> <p>Customers: Drugstores, convenience stores, home centers, general merchandisers, etc.</p> <p>Sales Regions: The company's business base covers 47 prefectures nationwide.</p>																				
Major shareholders and percentage of total shares held (Note 1)	<table border="0"> <tr> <td>1. Takeda Pharmaceutical Company Limited</td> <td>11.2%</td> </tr> <tr> <td>2. Kuraya Sanseido Employees' Shareholders Association</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 (trust account)</td> <td>4.0%</td> </tr> <tr> <td>5. Astellas Pharma, Inc. (Note 4)</td> <td>3.4%</td> </tr> </table>	1. Takeda Pharmaceutical Company Limited	11.2%	2. Kuraya Sanseido Employees' Shareholders Association	5.9%	3. Japan Trustee Services Bank, Ltd. (trust account)	4.1%	4. The Master Trust Bank of Japan (trust account)	4.0%	5. Astellas Pharma, Inc. (Note 4)	3.4%	<table border="0"> <tr> <td>1. Japan Trustee Services Bank, Ltd. (trust account)</td> <td>13.2%</td> </tr> <tr> <td>2. The Master Trust Bank of Japan (trust account)</td> <td>7.2%</td> </tr> <tr> <td>3. Paltac Kyoeikai</td> <td>5.4%</td> </tr> <tr> <td>4. Sunstar Inc.</td> <td>3.8%</td> </tr> <tr> <td>5. Norimasa Otsuka</td> <td>3.1%</td> </tr> </table>	1. Japan Trustee Services Bank, Ltd. (trust account)	13.2%	2. The Master Trust Bank of Japan (trust account)	7.2%	3. Paltac Kyoeikai	5.4%	4. Sunstar Inc.	3.8%	5. Norimasa Otsuka	3.1%
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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.	UFJ Bank Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation																				
Inter-company relations	Capital relationship	None																				
	Personnel relationship	None																				
	Business relationship	None																				

Notes:

1. As of September 30, 2004

2. As of October 1, 2004
3. As of April 1, 2005
4. The percentage of total shares held is calculated by combining the shares held by Yamanouchi Pharmaceutical Co., Ltd. and Fujisawa Pharmaceutical Co., Ltd. as of September 30, 2004.

(2) Business Results for the Previous Three Fiscal Terms

MEDICEO Holdings (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

PALTAC (Millions of yen)

Fiscal year ended	Consolidated			Non-consolidated		
	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2004
Net sales				317,478	359,835	384,671
Operating income				4,398	5,257	5,662
Ordinary income				6,585	7,632	8,614
Net income				3,304	3,513	4,020
Net income per share (¥)				139.38	135.18	140.92
Cash dividends per share (¥)				17.00	18.00	20.00
Shareholders' equity per share (¥)				1,287.69	1,631.66	1,769.46

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For reference: Previously announced results forecast figures

MEDICEO Holdings: Year ending March 31, 2005 (April 1, 2004 – March 31, 2005)

[Consolidated]

Revised Forecast of Consolidated Results, Disclosed April 5, 2005

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income
Forecast for the fiscal year	1,658,000	21,900	8,000

MEDICEO Holdings: Year ending March 31, 2005 (April 1, 2004 – March 31, 2005)

[Nonconsolidated]

Revised Forecast of Nonconsolidated Results, Disclosed April 5, 2005

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income
Forecast for the fiscal year	1,345,000	8,700	2,200

PALTAC: Interim Period of Fiscal Year Ending September 30, 2005 (October 1, 2004 – March 31, 2005)

[Nonconsolidated] Summary of Nonconsolidated Results for Year Ending September 30, 2005, Disclosed November 17, 2004

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income
Interim period	195,000	4,200	2,500

PALTAC: Fiscal Year Ending September 30, 2005 (October 1, 2004 – September 30, 2005)

[Nonconsolidated] Summary of Nonconsolidated Results for Year Ending September 30, 2005, Disclosed November 17, 2004

(Millions of Yen)

	Net Sales	Ordinary Income	Net Income
Forecast for the fiscal year	400,000	8,700	4,500