

July 28, 2005

**MEDICEO Holdings Co., Ltd.**

President: Sadatake Kumakura

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

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## **Merger of Consolidated Subsidiary**

July 28, 2005 – MEDICEO Holdings Co., Ltd. (“MEDICEO Holdings”) resolved today at a meeting of its Board of Directors to merge its consolidated subsidiaries KURAYA SANSEIDO Inc. (“Kuraya Sanseido”) and Chiyaku Co., Ltd. (“Chiyaku”) on January 1, 2006. Details are as follows.

### 1. Purpose of the Merger

Kuraya Sanseido took over the pharmaceutical wholesale business of MEDICEO Holdings on October 1, 2004. Chiyaku became a wholly owned subsidiary through a share exchange on April 1, 2005, and has been operating the pharmaceutical wholesale distribution business in Chiba Prefecture.

In light of these conditions, MEDICEO Holdings aims for the merger to unify overlapping functions in Chiba Prefecture, Chiyaku’s business area, further strengthen the corporate structure and enhance management efficiency and logistics.

### 2. Merger Overview

#### (1) Merger Schedule

July 28, 2005	Meetings of the Board of Directors of MEDICEO Holdings, Kuraya Sanseido and Chiyaku to approve and sign merger agreement
July 28, 2005	Signing of the merger agreement of the two merging companies
August 26, 2005	Extraordinary general meeting of shareholders of Kuraya Sanseido and Chiyaku to approve merger agreement (planned)
January 1, 2006	Effective date of merger (planned)

#### (2) Merger Method

Kuraya Sanseido will be the remaining company and Chiyaku will be dissolved. Kuraya Sanseido will accept all rights and obligations of Chiyaku. MEDICEO Holdings effectively holds all outstanding shares of Kuraya Sanseido and Chiyaku, so there will be no new shares issued through the merger.

### 3. Outline of Merging Companies and Other Information

#### (1) Outline of the Companies

(As of March 31, 2005)

Corporate name	KURAYA SANSEIDO Inc. (Surviving Company)	Chiyaku Co., Ltd. (Merged Company)
Main business	Pharmaceutical wholesale	Pharmaceutical wholesale
Start of operations		1695
Date of establishment	April 1, 2004	July 1, 1953
Head office address	7-15, Yaesu 2-chome, Chuo-ku, Tokyo	3-2, Tonya-cho, Chuo-ku, Chiba
Representative	Shuichi Watanabe, President & Chief Executive Officer	Keiji Koike, President and Representative Director
Paid-in capital	¥100 million	¥133 million
Shares issued and outstanding	1 share	266,000 shares
Shareholders' equity	¥18,721 million	¥1,503 million
Total assets	¥356,172 million	¥13,055 million
Fiscal year end	March 31	March 31
Number of employees	4,405	182
Major suppliers and customers	<p><b>Suppliers</b> (Note 1) MEDICEO Holdings Co., Ltd., Takeda Pharmaceutical Company Limited, Astellas Pharma Inc., Chugai Pharmaceutical Co., Ltd., Pfizer Japan Inc., GlaxoSmithKline K.K., Eisai Co., Ltd, Novartis Pharma K.K., Otsuka Pharmaceutical Co., Ltd., AstraZeneca Co., Ltd.</p> <p><b>Customers</b> Subsidiaries, Hospitals, Clinics, Pharmacies and others</p> <p><b>Sales Regions:</b> (Including OTC Pharmaceuticals) Tokyo, Hokkaido, Aomori, Miyagi, Akita, Yamagata, Fukushima, Ibaraki, Tochigi, Saitama, Chiba, Kanagawa, Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano, Gifu, Shizuoka, Aichi, Mie, Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama</p>	<p><b>Suppliers</b> (Note 1) MEDICEO Holdings Co., Ltd., Takeda Pharmaceutical Company Limited, Chugai Pharmaceutical Co., Ltd., Novartis Pharma K.K., Mitsubishi Pharma Corp., Bayer Yakuhin, Ltd., Daiichi Pharmaceutical Co., Ltd., DAINIPPON PHARMACEUTICAL CO., LTD., Astellas Pharma Inc., Pfizer Japan Inc.</p> <p><b>Customers</b> Hospitals, Clinics, Pharmacies and others</p> <p><b>Sales Regions:</b> Chiba</p>

Major shareholders and percentage of total shares owned (Note 2)	1. MEDICEO Holdings Co., Ltd. 100.0 %	1. MEDICEO Holdings Co., Ltd. 100.0 %
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 relations	Equity Relationship	None
	Personnel Relationship (Note 2)	Among the four directors of Chiyaku, one is on loan to Kuraya Sanseido. In addition, two corporate auditors of Chiyaku are employees of Kuraya Sanseido, one on loan and the other serving concurrently at Chiyaku and Kuraya Sanseido. There are three Chiyaku employees on loan to Kuraya Sanseido, but no Kuraya Sanseido employees on loan to Chiyaku.
	Business Relationship	None

Note 1: Current corporate name as of April 1, 2005

Note 2: Current as of July 28, 2005

(2) Results from the last three fiscal years (Non-consolidated)

(Millions of yen)

	KURAYA SANSEIDO Inc.		Chiyaku Co., Ltd.			
			March 31, 2005	March 31, 2003	March 31, 2004	March 31, 2005
Fiscal year ended			March 31, 2005	March 31, 2003	March 31, 2004	March 31, 2005
Net sales			496,578	26,376	27,553	29,222
Operating income			(178)	274	385	186
Ordinary income			(25)	349	474	260
Net income			(3,647)	137	252	141
Net income per share (¥)			(3,647,427,772.00)	515.45	877.00	500.89
Annual dividends per share (¥)			-	50.00	50.00	50.00
Shareholders' equity per share (¥)			18,721,403,611.00	4,245.69	5,168.18	5,652.70

Note: KURAYA SANSEIDO Inc. was established as KURAYA SANSEIDO Spin-Off Preparation Inc. on April 1, 2004, and took over the pharmaceutical wholesale business of MEDICEO Holdings Co., Ltd. on October 1, 2004. For this reason, the effective fiscal term in the year ended March 31, 2005 for KURAYA SANSEIDO Inc. was the six-month period from October 1, 2004 to March 31, 2005.

#### 4. Situation after Merger

- (1) Corporate name: KURAYA SANSEIDO Inc.
- (2) Main business: Pharmaceutical wholesale
- (3) Head office: 7-15, Yaesu 2-chome, Chuo-ku, Tokyo
- (4) Representative: Shuichi Watanabe, President and Chief Executive Officer
- (5) Paid-in-capital: ¥100 million

Keiji Koike, President and Representative Director of Chiyaku, will become a managing director of Kuraya Sanseido on October 1, 2005. In addition, Shinichiro Iizasa, director of Chiyaku, will become a corporate auditor of Kuraya Sanseido on January 1, 2006.

#### 5. Effect of this Merger on Consolidated and Non-consolidated Results of MEDICEO Holdings

Because Kuraya Sanseido and Chiyaku are already consolidated subsidiaries of MEDICEO Holdings, the merger 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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