

August 23, 2005

MEDICEO Holdings Co., Ltd.

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Notice of Partial Transfer of Business between Consolidated Subsidiaries

August 23, 2005 – At a Board of Directors meeting held today, MEDICEO Holdings Co., Ltd. (“MEDICEO Holdings”) approved a business transfer agreement between KURAYA SANSEIDO Inc. (“Kuraya Sanseido”) and MEDICEO MEDICAL CO., LTD. (“MEDICEO Medical”), both consolidated subsidiaries. Under the agreement, Kuraya Sanseido’s medical equipment business in Osaka and the two prefectures in the Kinki area will be transferred to MEDICEO Medical effective April 1, 2006. Details follow below.

1. Reason for the Partial Transfer of Business

MEDICEO Medical, a wholly owned subsidiary of MEDICEO Holdings, is primarily engaged in the business of selling medical equipment, but is also developing a general consulting business that takes a broad perspective of the healthcare field by providing various services, including supply processing and distribution (SPD) services inside medical institutions.

Similarly, wholly owned subsidiary Kuraya Sanseido, in addition to wholesale distribution of pharmaceuticals in all of its business area, also provides a wide range of medical equipment and supplies to hospitals, practicing physicians, clinics, pharmacies and other healthcare institutions.

Recently, MEDICEO Medical decided to build a new distribution center for medical equipment and related products in April 2006 to serve Hyogo prefecture in the Kinki area, and to open branch offices in Osaka and Hyogo prefecture as operating bases. These moves are intended to enhance the MEDICEO Group’s ability to supply medical equipment. In connection, among Kuraya Sanseido’s business, sales to customer medical facilities handled directly by medical equipment divisions in the three prefectures of the Kinki area will be transferred to MEDICEO Medical to promote efficient use of distribution and information functions.

In the areas affected by this business transfer, Kuraya Sanseido will continue to conduct sales of medical equipment as well as pharmaceuticals to large hospitals, small and medium-sized hospitals, physicians, clinics and dispensing pharmacies that are handled directly by the Pharmaceutical Sales Division.

2. Merger Method

(1) Content of Business Transfer from Kuraya Sanseido to MEDICEO Medical
Sales of medical equipment in Osaka, Hyogo Prefecture and Nara Prefecture

(2) Business Results of Kuraya Sanseido's Business to be Transferred

Net Sales of Medical Equipment (Six months from October 2004 to March 2005)

Osaka	¥1,790 million
Hyogo Prefecture	¥1,200 million
Nara Prefecture	¥106 million
Total	¥3,096 million

3. Overview of MEDICEO Medical (as of August 23, 2005)

- (1) Corporate name: MEDICEO MEDICAL CO., LTD.
(2) Lines of business: Sale of medical and laboratory equipment
(3) Established: May 30, 1975
(4) Head office: 18-15, Hongo 3-chome, Bunkyo-ku, Tokyo
(5) Representative: Michio Nakagawa, President and Representative Director
(6) Paid-in capital: ¥280 million
(7) Number of employees: 268 (as of August 23, 2005)
(8) Principal shareholders and ownership percentage

Shareholder name	Number of shares	Percentage of total
MEDICEO Holdings Co., Ltd.	561,000	100.0%

4. Overview of Kuraya Sanseido (as of August 23, 2005)

- (1) Corporate name: KURAYA SANSEIDO Inc.
(2) Lines of business: Wholesale distribution of pharmaceuticals and other products
(3) Established: April 1, 2004
(4) Head office: 7-15, Yaesu 2-chome, Chuo-ku, Tokyo
(5) Representative: Shuichi Watanabe, President & Chief Executive Officer
(6) Paid-in capital: ¥100 million
(7) Number of employees: 4,405 (as of March 31, 2005)
(8) Principal shareholders and ownership percentage

Shareholder name	Number of shares	Percentage of total
MEDICEO Holdings Co., Ltd.	1	100.0%

5. Schedule

August 23, 2005	Board of Directors meetings of MEDICEO Holdings, Kuraya Sanseido and MEDICEO Medical
August 23, 2005	Signing of business transfer agreement by Kuraya Sanseido and MEDICEO Medical
April 1, 2006	Business transfer takes effect (planned)

6. Effect of this Partial Transfer of Business on Consolidated and Non-consolidated Results of MEDICEO Holdings

Because both companies concerned in this matter are already consolidated subsidiaries of MEDICEO Holdings, this partial transfer of business will have no effect on consolidated and nonconsolidated results for the fiscal year ending March 31, 2007 and thereafter.

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