

November 11, 2005

Mediceo Paltac Holdings Co., Ltd.

Representative Director, President and CEO: Sadatake Kumakura

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

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Merger of Wholly Own Subsidiary

November 11, 2005 – Mediceo Paltac Holdings Co., Ltd. (“Mediceo Paltac”) resolved today at a meeting of its Board of Directors to merge its consolidated subsidiary PALTAC CORPORATION (“Paltac”) and ALCOS Co., Ltd. (“Alcos”) on April 1, 2006. Currently Alcos is a wholly owned subsidiary of ATOL Co., Ltd. (“Atol”), a wholly owned subsidiary of Mediceo Paltac, but is scheduled to become a wholly owned subsidiary of Mediceo Paltac on April 1, 2006. Both Paltac and Alcos have signed the merger agreement. Details are as follows.

1. Purpose of the Merger

Paltac, a wholesaler of cosmetics and daily consumer products with sales bases in all 47 prefectures of Japan, became a wholly owned subsidiary of Mediceo Paltac through a share exchange implemented on October 1, 2005.

Alcos is a wholesaler of over-the-counter pharmaceutical products with sales bases in seven prefectures of the Kyushu region. Currently Alcos is a wholly owned subsidiary of Atol, which is a wholly owned subsidiary of Mediceo Paltac. However, Alcos is scheduled to become a wholly owned subsidiary of Mediceo Paltac on April 1, 2006 through a separation and transfer.

In view of this course of events, Paltac and Alcos will merge on April 1, 2006, with Paltac as the surviving company and Alcos to be dissolved. Paltac will add over-the-counter pharmaceuticals to its existing product areas of cosmetics and daily consumer products, and will consolidate and reorganize its sales and distribution networks and further raise the level of its logistics services. By doing so, it aims to become a next-generation wholesaler that can better contribute to customers and communities in the Kyushu region, starting with drugstores.

2. Merger Overview

(1) Merger Schedule

| | |
|--------------------|---|
| November 11, 2005: | Meetings of the Board of Directors of Mediceo Paltac, Atol, Paltac and Alcos to approve and sign merger agreement |
| November 11, 2005: | Signing of the merger agreement by Paltac and Alcos |
| December 9, 2005: | Extraordinary general meeting of shareholders of Alcos to approve merger agreement (planned) |
| | The merger at Paltac qualifies as a simple merger, and therefore Paltac will not hold a general meeting of shareholders |
| April 1, 2006: | Effective date of merger (planned) |

(2) Merger Method

Paltac will be the surviving company and Alcos will be dissolved. Paltac will assume all rights and obligations of Alcos.

3. Outline of Merging Companies and Other Information

(1) Outline of the Companies

(Paltac: As of September 30, 2005, Alcos: As of March 31, 2005)

| Corporate name | PALTAC CORPORATION (Surviving company) (Planned) | ALCOS Co., Ltd. (Merged company) (Planned) |
|---|---|--|
| Main business | Cosmetics, Daily necessities wholesale | OTC pharmaceutical wholesale |
| Founded | 1898 | 1991 |
| Date of establishment | December 22, 1928 | January 10, 1991 |
| Head office address | 1-5-9, Minami Kyuhoji-machi, Chuo-ku, Osaka-shi, Osaka | 5-2-1, Minamisato, Shime-machi Kasuya-gun, Fukuoka |
| Representative | Kunio Mikita, Representative Director/Chief Executive Officer | Akio Kassai, Representative Director and President |
| Paid-in capital | ¥5,206 million | ¥1,300 million |
| Shares issued and outstanding | 30,235,657 shares | 26,000 shares |
| Shareholders' equity | ¥58,385 million | ¥2,059 million |
| Total assets | ¥154,779 million | ¥10,403 million |
| Fiscal year end | March 31 (Note 3) | March 31 |
| Number of employees | 1,988 | 145 |
| Major suppliers and customers | <p>Suppliers: Lion Corporation, Unilever Japan K.K., FT SHISEIDO CO., LTD., UNICHARM CORPORATION, P&G, Sunstar Inc., MANDOM Corporation, Kanebo Home Products Sales Ltd., DAIO PERPAR CORPORATION, S. T. Chemical</p> <p>Customers: Drugstores, convenience stores, home centers, general merchandise stores, etc.</p> <p>Sales Regions: The company's business base covers 47 prefectures nationwide.</p> | <p>Suppliers: Takeda Pharmaceutical Company Limited, Kowa Shinyaku Co., Ltd., Kobayashi Pharmaceutical Co., Ltd., Sankyo Co., Ltd., Lion Corporation, ROHTO Pharmaceutical Co. Ltd., Earth Chemical Co., Ltd., Eisai Co., Ltd., Zepharm Inc., Yomeishu Seizo Co., Ltd.</p> <p>Customers: Drugstores, pharmacies and others</p> <p>Sales Regions: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima</p> |
| Major shareholders and percentage of total shares owned | Mediceo Paltac 100.0% (Note 2) | Atol 100.0% (Notes 1 and 4) |
| Main banks | UFJ Bank Ltd. Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation | Bank of Fukuoka, Sumitomo Mitsui Banking Corporation, THE NISHI-NIPPON CITY BANK, LTD. |
| Inter-company relations | Equity Relationship | None |
| | Personnel Relationship (Note 2) | Alcos Representative Director and President, Akio Kassai is a director and Senior executive officer of Paltac. |
| | Business Relationship | None |

Notes: 1. As of September 30, 2005

2. As of October 1, 2005
3. Fiscal year-end will be changed to March 31, starting in 2006.
4. Among Atol's business operations, sales related to the over-the-counter pharmaceutical wholesale subsidiary management business (Alcos is the target company) will be separated on April 1, 2006, and transferred to Mediceo Paltac. Alcos will become a wholly owned subsidiary of Mediceo Paltac on the same date.

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

| | PALTAC CORPORATION | | | | ALCOS Co., Ltd. | | |
|-----------------------------------|--------------------|----------------|----------------|----------------|------------------|----------------|----------------|
| | Non-consolidated | | | Consolidated | Non-consolidated | | |
| Fiscal year ended | Sept. 30, 2003 | Sept. 30, 2004 | Sept. 30, 2005 | Sept. 30, 2005 | March 31, 2003 | March 31, 2004 | March 31, 2005 |
| Net sales | 359,835 | 384,671 | 396,703 | 396,553 | 25,812 | 24,157 | 22,338 |
| Operating income | 5,257 | 5,662 | 5,282 | 3,785 | (32) | 42 | 1 |
| Ordinary income | 7,632 | 8,614 | 8,754 | 7,399 | 29 | 102 | 60 |
| Net income | 3,513 | 4,020 | 4,757 | 3,402 | (669) | 28 | (94) |
| Net income per share (¥) | 135.18 | 140.92 | 155.35 | 110.36 | (25,764.07) | 1,092.14 | (3,639.45) |
| Annual dividends per share (¥) | 18.00 | 20.00 | 20.00 | / | - | - | - |
| Shareholder' equity per share (¥) | 1,631.66 | 1,769.46 | 1,929.45 | 1,875.17 | 81,131.65 | 82,621.07 | 79,196.69 |

4. Situation after Merger

- (1) Corporate name: PALTAC CORPORATION
- (2) Main business: Cosmetics, Daily necessities and OTC pharmaceutical wholesale
- (3) Head office: 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
- (6) Fiscal year-end: March 31 (September 30 until 2005)

5. Effect of this Merger on Consolidated and Non-consolidated Results of Mediceo Paltac

While the addition of the results of Alcos to Paltac will have an effect on consolidated results for the fiscal year ending March 2007 and later, details of this will be stated in 2. Forecast of Consolidated Results for the Year Ending March 2007, in the Consolidated Financial Statements for the Year Ended March 31, 2006, scheduled to be disclosed in mid-May 2006.

The effect on non-consolidated results will be minor.

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