



May 14, 2007

Mediceo Paltac Holdings Co., Ltd.

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Merger between Paltac and its Wholly Owned Subsidiary

May 14, 2007 – Mediceo Paltac Holdings Co., Ltd. (“Mediceo Paltac”) resolved today at a meeting of its Board of Directors to merge its wholly owned consolidated subsidiary PALTAC CORPORATION (“Paltac”) and Paltac’s wholly owned subsidiary MATSUE KYOWA BUSSAN co., Ltd. (“Matsue Kyowa Bussan”) on July 1, 2007, with Paltac as the surviving company. Both Paltac and Matsue Kyowa Bussan signed the merger agreement today. Details are as follows.

1. Purpose of the Merger

Paltac aims to offer new value as an across-the-board wholesaler that handles cosmetics, daily necessities and over-the-counter pharmaceuticals through its nationwide sales operations. Paltac pursues customer satisfaction and provides solutions to support health and beauty, and is trusted by its customers and suppliers as a company that responds to deregulation and other changes in the business environment.

Matsue Kyowa Bussan, a wholesaler of household goods, was established in 1921 and has become an influential company with a solid business foundation and a high level of trust from its customers, primarily in the Sanin region. Matsue Kyowa Bussan became a wholly owned subsidiary of Paltac on December 26, 2006.

Based on this progression, the two companies will merge on July 1, 2007, with Paltac as the surviving company and Matsue Kyowa Bussan to be dissolved. With the merger, Paltac intends to expand the efficiency and service functions in its wholesale distribution business, and will aim to be a next-generation wholesaler that can contribute even more to its customers and society.

2. Merger Overview

(1) Merger Schedule

May 10, 2007	Meetings of Board of Directors of Paltac and Matsue Kyowa Bussan to approve signing of merger agreement
May 14, 2007	Meeting of Board of Directors of Mediceo Paltac to approve signing of merger agreement
May 14, 2007	Signing of merger agreement by Paltac and Matsue Kyowa Bussan
May 17, 2007	Extraordinary general meeting of shareholders of Matsue Kyowa Bussan to approve merger agreement (planned) The merger at Paltac qualifies as a simple merger, and therefore Paltac will not hold a general of meeting of shareholders.
July 1, 2007	Effective date of merger (planned)

(2) Merger Method

Paltac will be the surviving company and Matsue Kyowa Bussan will be dissolved. As the surviving company, Paltac will assume all rights and obligations of the dissolved company.

3. Outline of Merging Companies and Other Information

(Paltac as of March 31, 2007; Matsue Kyowa Bussan as of February 28, 2007)

Corporate name	PALTAC CORPORATION	MATSUE KYOWA BUSSAN co., ltd.
Main business	Wholesale of cosmetics, daily necessities and OTC pharmaceuticals	Wholesale of household goods, etc.
Founded	1898	1921
Established	December 22, 1928	May 21, 1971
Head office address	1-5-9, Minami Kyuhoji-machi, Chuo-ku, Osaka-shi, Osaka	43-2, Iwakura, Kamocho, Unnan-shi, Shimane
Representative	Kunio Mikita, President, Chief Executive Officer and Representative Director	Takuro Yoneda, President and Representative Director
Paid-in capital	¥5,206 million	¥10 million
Shares issued and outstanding	30,235,657 shares	10,000 shares
Net assets	¥65,204 million	¥1,500 million
Total assets	¥192,179 million	¥2,966 million
Fiscal year end	March 31	February 28
Number of employees	2,200	65
Major suppliers and customers	<p>Suppliers: P&G Japan, Lion Corporation, Unicharm Corporation, Unilever Japan K.K., FT Shiseido Co., Ltd., Sunstar Inc., Mandom Corporation, DAIO PAPER CORPORATION, S. T. CORPORATION, Kanebo Home Products Sales Co., Ltd</p> <p>Customers: Drugstores, convenience stores, home centers, general merchandisers, pharmacies, etc.</p> <p>Sales Regions: All 47 prefectures</p>	<p>Suppliers: P&G Japan, Lion Corporation, Oji Nepia Co., Ltd., Unicharm Corporation, DAINIHON JOCHUGIKU Co., Ltd., Kobayashi Pharmaceutical Co., Ltd., Asahi Home Products Co., Ltd., DAIO PAPER CORPORATION, Matsushita Electric Industrial Co., Ltd., Unilever Japan K.K.</p> <p>Customers: Drugstores, convenience stores, home centers, general merchandisers, etc.</p> <p>Sales Regions: 4 prefectures (Shimane, Hyogo, Tottori, Yamaguchi)</p>
Major shareholders and percentage of total shares owned	1. Mediceo Paltac 100.0%	1. Paltac 100.0%
Main banks	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation	THE TOTTORI BANK, LTD., Japan Finance Corporation for Small and Medium Enterprise
Inter-company relations	Equity Relationship	Matsue Kyowa Bussan is a wholly owned subsidiary of Paltac.
	Personnel Relationship	None
	Business Relationship	Mutual business relationship as normal suppliers and purchasers

Note: Kunio Mikita is currently President, Chief Executive Officer and Representative Director, but is scheduled to retire from his position as executive director and become President and Representative Director at the General Meeting of Shareholders to be held on June 20, 2007.

4. Results from the Last Three Fiscal Years (Non-consolidated)

(Millions of yen)

Fiscal year ended	PALTAC CORPORATION (Non-consolidated)			MATSUE KYOWA BUSSAN co., Ltd. (Non-consolidated)		
	Sept. 30, 2005	March 31, 2006	March 31, 2007	February 28, 2005	February 28, 2006	February 28, 2007
Net sales	396,703	202,227	493,440	8,235	7,559	7,090
Operating income	5,282	2,822	4,638	47	67	31
Ordinary income	8,754	4,588	8,362	141	160	118
Net income	4,757	2,388	4,750	66	121	47

Due to a change in its fiscal year-end, PALTAC CORPORATION's fiscal year ended March 31, 2006 was a 6-month period.

5. Status after the Merger

(1) Corporate name	PALTAC CORPORATION
(2) Main business	Wholesale of cosmetics, daily necessities and OTC pharmaceuticals
(2) Head office	1-5-9, Minami Kyuhoji-machi, Chuo-ku, Osaka-shi, Osaka
(4) Representative:	Kunio Mikita, President and Representative Director
(5) Paid-in capital	¥5,206 million
(6) Fiscal year-end	March 31

6. Effect of the Merger on Consolidated and Non-consolidated Business Results of Mediceo Paltac

The effect from the addition of the results of Matsue Kyowa Bussan to Paltac on consolidated results from the second quarter of the year ending March 31, 2008 is incorporated in “3. Projected Results for Fiscal 2008 (April 1, 2007 – March 31, 2008)” in the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2007, which were released separately today.

The merger will have no effect on non-consolidated results for the fiscal year ending March 31, 2008.