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FOR IMMEDIATE RELEASE

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SUGI Pharmacy Splits its Business to take on a Holding Company Structure and Changes its Company Name

SUGI Pharmacy Co., Ltd., (the “Company”) announced today that it will split all of its business activities off into two new companies—SUGI Pharmacy Co., Ltd., and SUGI Medical Co., Ltd.—and switch to a holding company structure from September 1, 2008. This decision was finalized at the Board of Directors Meeting on April 11, 2008. (The split is an *incorporation-type split* and is referred to as the “Company Split” or simply the “Split” below.)

Any business activities relating to NHI-covered prescription drugs not transferred to SUGI Medical Co., Ltd., along with business activities relating to the sale of pharmaceutical products, health food, cosmetics, and household goods will be transferred to the new SUGI Pharmacy Co., Ltd. Business activities related to specialized dispensing pharmacies, the main business of which is prescription filling services, business activities related to the SUGI Infinity Possibility System (SIPS), and educational activities related to medical care will be transferred to SUGI Medical Co., Ltd.

The Company has also been renamed SUGI Holdings Co., Ltd., effective today, and will maintain its listings on the stock exchanges as a holding company.

The Split is subject to approval at the Annual Shareholders’ Meeting scheduled for May 29, 2008 (the “Annual Shareholders’ Meeting”).

This Split of business activities into new entities is being conducted solely by the Company itself, and certain items and details are therefore omitted from disclosure.

1. Purpose of the Company Split

The Company has worked to increase corporate value as an operator of personal pharmacies in local areas under a corporate philosophy of contributing to local communities. Under the medium-term management plan through fiscal 2010, the Company aims to expand to 1,000 drugstores and sales of ¥350 billion in fiscal 2010, and it has worked to bolster and enhance Group

strength, making Japan Co., Ltd., and Iizuka Yakuhin Co., Ltd., its wholly owned subsidiaries in March 2007 and February 2008, respectively.

In the business environment in which the Company operates, each year brings increasing demands for greater speed, transparency, and soundness in management. And as medical care legislation is revised amid a progressively ageing society, there are growing calls for dispensing pharmacies to fulfill vital social roles as medical care providers.

Under such circumstances, the Company concluded that it was best to adopt a pure holding company structure in order to expand business and pursue sustainable growth in corporate value while contributing to local communities.

Looking ahead, by shifting to a pure holding company structure, the Company is committed to increasing corporate value through the following measures:

- 1) *Strengthen corporate governance*: The Company will separate the Group's management and oversight functions from the execution of its business to achieve greater speed and transparency in management. It will also reduce the number of directors while electing two outside directors. These steps are aimed at further strengthening corporate governance in Group management.
- 2) *Improvement of management efficiency*: The holding company will specialize in strategic management of the Group and administrative and oversight functions, while subsidiaries will focus on executing business in an appropriate and agile manner. With this structure, the Group will strive to optimize and efficiently utilize its management resources and to maximize synergies between Group companies.
- 3) *Building up of medical care business*: The Company will further strengthen the drug dispensing and in-home care businesses, areas that it has traditionally focused on. At the same time, it will continue developing the medical care business by strengthening collaboration with local medical institutions.
- 4) *Restructuring with agility*: The Company will restructure its organization in a flexible and agile manner through business reorganization that may include M&A activity with other companies and the incorporation of specific business segments. This will enable it to respond quickly to changes in the competitive environment and further strengthen its competitive advantage.

2. Outline of the Company Split

1) Schedule for the Company Split

Reference date for General Shareholders' Meeting: February 29, 2008

Meeting of the Board of Directors to approve the Company Split plan: April 11, 2008

Annual Shareholders' Meeting to approve the Company Split plan: May 29, 2008 (scheduled)

Registration date for incorporation (effective date): September 1, 2008 (scheduled)

Date of issuance of share certificates: The newly incorporated companies will be non-stock-issuing companies and will therefore not issue stock certificates.

The portion of the split involving the incorporation of SUGI Medical Co., Ltd., to take over business activities relating to the Company's four specialized dispensing pharmacies (the Aodake, Ida, Gamagori, and Nishio branches), the main business of which is prescription filling services, business activities related to the SUGI Infinity Possibility System (SIPS), and educational activities related to medical care falls under the category of *simplified company split*, and pursuant to Article 805 of Japan's Corporations Act, it will be executed without approval by the Company's Annual Shareholders' Meeting.

2) Method of split

This is an incorporation-type company split whereby the Company will split business activities into two newly incorporated companies: SUGI Pharmacy Co., Ltd., and SUGI Medical Co., Ltd. (the simplified method will be used for the portion of the split that involves the incorporation of SUGI Medical Co., Ltd.).

After the Split, the Company will become a holding company and maintain its listing on the first section of the Tokyo Stock Exchange and the first section of the Nagoya Stock Exchange.

3) Share allotment due to the Company Split

After the Company Split, all the following stocks, which will be issued by newly incorporated companies, will be allotted to the Company:

Name of company	SUGI Pharmacy Co., Ltd. (newly incorporated company)	SUGI Medical Co., Ltd.
Number of shares issued	1,000 shares	1,000 shares

4) Decrease in capital due to the Split

There will be no decreases in capital as a result of the Split.

5) Handling of stock warrants and bonds with stock warrants attached of the splitting company

Not applicable

6) Rights and obligations succeeded by the newly incorporated companies

SUGI Pharmacy Co., Ltd., a newly incorporated company, will succeed all rights and obligations, including but not limited to assets, liabilities, and employment agreements, of business activities related to the sale of the Company's NHI-covered prescription drugs (excluding business activities related to the four specialized dispensing pharmacies (the Aodaki, Ida, Gamagori, and Nishio branches), the main business of which is prescription filling services, and activities related to the SUGI Infinity Possibility System (SIPS)), pharmaceutical products, health food, cosmetics, and household goods, except those specified in the incorporation-type company split plan. After the Split, the Company will assume, jointly with SUGI Pharmacy Co., Ltd., all obligations succeeded by SUGI Pharmacy Co., Ltd.

SUGI Medical Co., Ltd., a newly incorporated company, will succeed all rights and obligations, except those specified in the incorporation-type company split plan, including but not limited to assets, liabilities, and employment agreements of business activities related to the Company's four specialized dispensing pharmacies (the Aodake, Ida, Gamagori, and Nishio branches), the main business of which is prescription filling services, business activities related to the SUGI Infinity Possibility System (SIPS), and education activities related to medical care. After the Company Split, the Company will assume, jointly with SUGI Medical Co., Ltd., all obligations succeeded by SUGI Medical Co., Ltd.

7) Prospects for fulfilling obligations

The Company believes there will be no problems for itself and the newly incorporated companies in fulfilling financial obligations after the Split.

3. Outline of the splitting and newly incorporated companies

	Splitting company (as of Feb. 29, 2008)	Newly incorporated company (scheduled for Sept. 1, 2008)	Newly incorporated company (scheduled for Sept. 1, 2008)
1) Name	SUGI Pharmacy Co., Ltd. (scheduled to be renamed SUGI Holdings Co., Ltd. , Sept. 1, 2008)	SUGI Pharmacy Co., Ltd.	SUGI Medical Co., Ltd.

2) Business operation	Sales of NHI-covered prescription drugs, pharmaceutical products, health food, cosmetics, and household goods	Sales of NHI-covered prescription drugs (excluding business activities related to the four specialized dispensing pharmacies (the Aodaki, Ida, Gamagori, and Nishio branches), the main business of which is prescription filling services, and activities related to the SUGI Infinity Possibility System (SIPS)), pharmaceutical products, health food, cosmetics, and household goods	Activitiesactivities related to the Company's four specialized dispensing pharmacies (the Aodake, Ida, Gamagori, and Nishio branches), the main business of which is prescription filling services, business activities related to the SUGI Infinity Possibility System (SIPS), and education activities related to medical care
3) Established	March 8, 1982	September 1, 2008	September 1, 2008
4) Head office	1-8-4 Mikawa Anjocho, Anjo, Aichi	1-8-4 Mikawa Anjocho, Anjo, Aichi	5-24-10 Higashi Gotanda, Shinagawa-ku, Tokyo
5) Representative	Hirokazu Sugiura, Representative Director & President	Hirokazu Sugiura, Representative Director & President	Eiji Arai, Representative Director
6) Capital	15,434 million yen	50 million yen	50 million yen
7) Total number of shares issued	63,330,838 shares	1 share	1 share
8) Net assets	66,091million yen (consolidated)	26,044 million yen	281 million yen
9) Total assets	112,629million (consolidated)	56,852 million yen	496 million yen
10) Fiscal year end	End of February	End of February	End of February
11) Number of employees	2,960(consolidated)	2,095	17
12) Main customers	CS Yakuhin Co., Ltd. Paltac Co., Ltd. Ohki Co., Ltd. Shiseido Sales Co., Ltd. Suzuken Co., Ltd.	CS Yakuhin Co., Ltd. Paltac Co., Ltd. Ohki Co., Ltd. Shiseido Sales Co., Ltd. Suzuken Co., Ltd.	Suzuken Co., Ltd. Kuraya Sanseido Inc. KSK Co., Ltd. Alfresa Corp. CS Yakuhin Co., Ltd.

13) Major shareholders and percentage holdings (as at August 31, 2007)	Hirokazu Sugiura: 12.80% Aeon Co., Ltd.: 10.36% Akiko Sugiura: 10.35% SUGI Trading Co., Ltd.: 9.47% Katsunori Sugiura: 4.09% Nobuya Sugiura: 4.09% Japan Trustee Services Bank, Ltd. (held in trust account): 3.88% The Master Trust Bank of Japan, Ltd. (held in trust account): 2.54% The Nomura Trust and Banking Co., Ltd. (held in trust account): 2.12% Tsuruha Co., Ltd.: 2.00%	SUGI Holdings Co., Ltd. 100%	SUGI Holdings Co., Ltd. 100%
14) Main lenders	The Bank of Tokyo-Mitsubishi UFJ Mizuho Bank Sumitomo Mitsui Banking Corp.	The Bank of Tokyo-Mitsubishi UFJ Mizuho Bank Sumitomo Mitsui Banking Corp.	The Bank of Tokyo-Mitsubishi UFJ Mizuho Bank Sumitomo Mitsui Banking Corp.
15) Relationships between the parties	Capital	The Company will own all shares issued by the new company.	The Company will own all shares issued by the new company.
	Personnel	11 directors of the Company will also assume directorship of the newly incorporated company.	One director of the Company will also assume directorship of the new company.
	Transactions	The Company will provide managerial guidance, permission for use of trademarks etc., and property leasing to the new company.	The Company will provide managerial guidance, permission for use of trademarks etc., and property leasing to the new company.

16) Financial results for past three years

SUGI Pharmacy Co., Ltd. (splitting company) (consolidated)

Fiscal year ended:	February 28, 2006	February 28, 2007	February 29, 2008
Net sales (million yen)	—	217,229	248,134
Operating income (million yen)	—	9,250	10,858
Ordinary income (million yen)	—	10,090	12,047
Net income (million yen)	—	4,000	6,644
Net income per share (yen)	—	66.91	104.94
Per-share dividend (yen)	14.00	12.00	12.00
Net assets per share (yen)	1,633.99	891	1,043.77

Note: The year ended February 28, 2007, was the first year in which consolidated financial statements were prepared and the deemed date of the acquisition of consolidated subsidiaries was the final day of the consolidated fiscal year ended February 28, 2007. Therefore, only consolidated balance sheets were prepared (consolidated statements of operations and statements of cash flows were not).

4. Outline of business segments subject to the Split

1) Business operations subject to the Split

a) Business operation to be split into SUGI Pharmacy Co., Ltd.

Sales of NHI-covered prescription drugs (excluding business activities related to the four specialized dispensing pharmacies (the Aodaki, Ida, Gamagori, and Nishio branches) and activities related to the SUGI Infinity Possibility System (SIPS)) pharmaceutical products, health food, cosmetics, and household goods

b) Business operation to be split into SUGI Medical Co., Ltd.

Business activities related to the four specialized dispensing pharmacies (the Aodaki, Ida, Gamagori, and Nishio branches), the main business of which is prescription filling services, business activities related to the SUGI Infinity Possibility System (SIPS), and educational activities related to medical care

2) Financial results for segments subject to the Split

a) Financial results of the segments to be split into **SUGI Pharmacy Co., Ltd.**

	Sales of NHI-covered prescription drugs,* pharmaceutical products, health food, cosmetics, and household goods FYE February 29, 2008 (a)	Splitting company (before the Split) FYE February 29, 2008 (b)	Ratio (a / b)
Net sales	166,753 million yen	248,134 million yen	67.2%
Gross profit	46,147 million yen	62,987 million yen	73.3%
Operating income	8,883 million yen	10,858 million yen	81.8%
Ordinary income	9,735 million yen	12,047 million yen	80.8%

* Excluding business activities related to the four specialized dispensing pharmacies (the Aodaki, Ida, Gamagori, and Nishio branches) and activities related to the SUGI Infinity Possibility System (SIPS)

b) Business results of the segments to be split into **SUGI Medical Co., Ltd.**

	Business related to the four specialized dispensing pharmacies* and business related to the SIPS † FYE February 29, 2008 (a)	Splitting company (before the Split) FYE February 29, 2008 (b)	Ratio (a / b)
Net sales	1,222 million yen	248,134 million yen	0.5%
Gross profit	370 million yen	62,987 million yen	0.6%
Operating income	169 million yen	10,858 million yen	1.6%
Ordinary income	170 million yen	12,047 million yen	1.4%

* The four specialized dispensing pharmacies are the Aodaki, Ida, Gamagori, and Nishio branches.

† SUGI Infinity Possibility System

3) Assets and liabilities to be transferred (as of February 29, 2008)

a) Assets and liabilities to be transferred to by SUGI Pharmacy Co., Ltd.

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	33,392 million yen	Current liabilities	28,992 million yen
Fixed assets	23,460 million yen	Fixed liabilities	1,816 million yen
Total	56,852 million yen	Total	30,808 million yen

b) Assets and liabilities to be transferred to SUGI Medical Co., Ltd.

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	332 million yen	Current liabilities	207 million yen
Fixed assets	163 million yen	Fixed liabilities	7 million yen
Total	496 million yen	Total	214 million yen

5. Details of newly incorporated companies

1) Name	SUGI Pharmacy Co., Ltd.	SUGI Medical Co., Ltd.
2) Business activities	Sales of NHI-covered prescription drugs, pharmaceutical products, health food, cosmetics, and household goods	Activities related to specialized dispensing pharmacies and the SUGI Infinity Possibility System (SIPS); and educational activities related to medical care
3) Head office	1-8-4 Mikawa Anjocho, Anjo, Aichi	5-24-10 Higashi Gotanda, Shinagawa-ku, Tokyo
4) Representative	Hirokazu Sugiura, Representative Director & President	Eiji Arai, Representative Director
5) Capital	50 million yen	50 million yen
6) Fiscal year end	End of February	End of February

6. Listed company after Company Split

1)	Corporate name	SUGI Holdings Co., Ltd.
2)	Business activities	Control and management of subsidiaries (as a pure holding company)
3)	Head office	Anjo, Aichi Prefecture
4)	Representative	Hirokazu Sugiura, Representative Director & President
5)	Capital	15,434 million
6)	Net assets	X million yen (consolidated)
7)	Total assets	X million yen (consolidated)
8)	Fiscal year end	End of February

9) Future outlook

SUGI Pharmacy Co., Ltd. and SUGI Medical Co., Ltd., will become the Company's wholly owned subsidiaries, and therefore the Company Split will not affect the Company's consolidated business results.

With regard to the Company's non-consolidated business results, major sources of revenue will be income from property leases, fees received from subsidiaries for managerial guidance, dividend income and trademark royalties, etc. Major expenses will be those relating to the Company's functions as a holding company.