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FOR IMMEDIATE RELEASE

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## **Introduction of Plan for Responding to Large-Scale Acquisitions of Sugi Pharmacy Shares (Takeover Defense Plan)**

Sugi Pharmacy Co., Ltd., (the “Company”) announced today that, at the Board of Directors Meeting held on April 11, 2008, the Board of Directors decided the details of a plan (takeover defense plan) to counter a large-scale acquisition of the Company’s shares (the “Plan”). The background and details of the plan are discussed below.

The Plan will become effective immediately upon approval from shareholders at the Company’s 26<sup>th</sup> Annual Shareholders’ Meeting scheduled for May 29, 2008 (“Annual Shareholders’ Meeting”), at which time the opinions of shareholders will be confirmed. The Plan will then remain in effect until the conclusion of the Company’s 29<sup>th</sup> Annual Shareholders’ Meeting, scheduled to be held in May 2011.

All three of the Company’s corporate auditors (two of the Company’s three corporate auditors are outside auditors) were in attendance at the Company’s Board of Directors Meeting held on April 11, 2008, and all three statutory auditors stated that they agree with the details of the Plan on the condition that the Plan is managed appropriately.

The Company’s major shareholders and their percentage holdings of outstanding shares as of February 29, 2008, are presented in attachment 1. At present, the Company has received no proposals for a large-scale acquisition of its shares.

### **I. Purpose of the Plan’s Implementation**

#### **1. Efforts to Protect and Increase Corporate Value and the Common Interests of All Shareholders**

Sugi Pharmacy is engaged in the following initiatives and efforts to protect and increase corporate value and the common interests of all shareholders.

## 1. Expansion of the Group's Business Base

Sugi Pharmacy's corporate vision is to contribute to local communities by offering nearby pharmacies where individuals can consult in a relaxed manner. Since the Company's founding, its stores have been licensed as health insurance pharmacies, and the Company has continued proactively opening new pharmacies that both fill prescriptions as well as carry a variety of household items. The Company opened 137 new stores during the fiscal year ended February 2008, bringing the total number of stores to 624 at the end of February 2008.

The Company's medium-term business plan, entitled *2010 Vision*, calls for an increase in the number of stores to 1,000 and a rise in overall net sales to 350 billion yen by fiscal 2010, and recent efforts to expand the Group's scale include making Japan Co., Ltd., and Iizuka-yakuhin Co., Ltd., wholly owned subsidiaries in March 2007 and February 2008, respectively. Going forward, the Company is committed to enhancing customer trust by actively opening new stores to expand its business base and take advantage of economies of scale to bolster sales potential and profitability. The Company will also work to expand the Group's store network through M&A activity and alliances and share business know-how within the Group by, for instance, integrating procurement functions, distribution expertise, and systems infrastructure.

The Company has decided to shift to a holding company management structure to enable it to flexibly and effectively carry out these plans. This decision was finalized by the Board of Directors at the board meeting held on April 11, 2008.

## 2. Enhancing Expertise

Since its founding, the Company has continued to build outstanding levels of professional expertise into drugstores with prescription filling services. The company has emphasized counseling-based sales when dispensing prescription drugs and when selling other drug products and cosmetics, and continuously improved its employee education curriculum.

The role of pharmacies in Japan is expanding in conjunction with ongoing revisions to Japan's medical system, and the market for preventative medicine is growing. Amid these developments, the Company's expertise in the medical business will become increasingly important to society, and as a result, the Company believes that business opportunities will increase going forward.

With the amended Pharmaceutical Affairs Act taking effect in April 2009, Group companies will be working to enhance their expertise as drugstores by, for instance, bolstering drug sales by registered sales representatives.

### 3. Internal Control Systems and Other Responses to Societal Demands

The Company recognizes that highly transparent management systems for accurately carrying out compliance and risk management are essential for protecting and improving corporate value and the common interests of all shareholders, and the Company has worked as a whole to put such internal control systems in place. Additionally, to strengthen corporate governance in Group management, subject to a resolution at the Annual Shareholders' Meeting, the Company will switch to a holding company structure, two outside directors will be appointed, and the number of executive officers will be reduced at the time the switch takes place.

The Company has also taken steps to reduce the environmental impact of its operations—including the promotion of waste recycling and reduced plastic shopping bag use—and has contributed to local communities by providing goods required by public groups following natural disasters and other emergencies. The Company believes that these activities as a good corporate citizen serve to deepen the trust placed in it by local customers, thereby contributing to a stronger business base and increased corporate value.

## 2. Purpose of the Plan's Implementation

The Company believes that trading of its stock should be left to the market, and that, ultimately, the decision to sell the Company's shares in response to a large-scale acquisition offer should be made by the Company's shareholders. Further, participation in management by an entity making a large-scale acquisition will not necessarily damage corporate value; if such participation would lead to an increase in the Company's value, it need not be opposed.

However, several large-scale acquisitions have taken place in Japan in recent years in which the acquirer did not engage in sufficient negotiation with the target company's board of directors or receive the board's consent. In many of these cases, the acquirer proceeded without adequately disclosing matters such as the purpose of the purchase and plans for after the acquisition. The Company believes that the spread of this situation presents the risk that shareholders may not be able to obtain sufficient time or information to make a decision on whether to their shares following an acquisition offer.

The dispensing pharmacy industry, in which the Company operates, is undergoing significant industry reorganization, and given these circumstances, the possibility undeniably exists that an inappropriate large-scale acquisition of Company shares, or a proposal for such, might damage the Company's value and the common interests of all shareholders.

Moreover, in order to achieve the objective of continually increasing the Company's corporate value, it is necessary to sufficiently understand each Group company's position and role within the Group and aim for stable management from a long-term perspective with an eye on the future.

To ensure that the Company's value increases and to protect the common interests of all shareholders, the Company believes that if a large-scale acquisition of its shares takes place, it is crucial that:

- shareholders have sufficient time and information to decide, based on the nature of the Company, whether to agree to the acquisition; and
- the Company has the opportunity to negotiate with the potential acquirer.

At present, the Company's executive officers and related entities own around 41% of the Company's stock, but it is undeniable that future shareholder changes and changes in ownership stakes may lead to a large-scale acquisition of Company shares. As stated in section I above, to protect and increase corporate value going forward, the Company must continue actively opening new stores and expanding the Group's store network by taking advantage of M&A opportunities and alliances. If funds are raised from the capital markets to facilitate these activities, the number of shares outstanding will increase, which will reduce the percentage holdings of executive officers and related entities. Directly following its stock market listing, the Company's executive officers and related entities held around 55% of its shares, but follow-on public offerings and a stock swap in conjunction with the deal to make Japan Co., Ltd., a wholly owned subsidiary have seen these holdings fall significantly to around 41%.

Moreover, because the Company is publicly traded, its executive officers and related entities are able to trade their stock freely at their own discretion, and their holdings may also be inherited. That is, shares in the Company held by individuals or related companies may be sold or transferred, which could lead to a decline in the ownership stake of these parties and significantly increase the liquidity of the Company's shares.

As shown in attachment 2, "Distribution of Shareholders," the Company has a broad distribution of shareholders.

Given the above, the Company believes that a large-scale acquisition of the Company's shares conducted in accordance with certain reasonable rules will contribute to increasing corporate value and protecting the common interests of all shareholders. The Company has therefore established certain rules on the provision of information, which will apply if an offer is made for a large-scale acquisition of its shares ("Large-Scale Acquisition Rules"), and introduced the Plan, which stipulates procedures for implementing defense measures to counter such action.

## **II. Details of the Plan**

### **1. Overview of the Plan**

#### **1) Purchase Actions to which Plan Applies**

The Plan demands that large-scale acquirers provide certain information to ensure that shareholders have sufficient information and time to make an appropriate decision on whether to agree to:

- an acquisition of the Company’s shares and other securities<sup>1</sup> in an amount that constitutes a voting rights ratio<sup>3</sup> of specified shareholders and other entities<sup>2</sup> of 20% or more; or
- an acquisition of the Company’s shares and other securities, the result of which, the voting rights ratio of specified shareholders and other entities would reach 20% or more.

This excludes cases in which the Company’s Board of Directors give consent in advance, and applies regardless of the specific method of acquisition—market transaction, tender offer, etc. (acquisitions that satisfy these criteria are referred to as “Large-Scale Acquisitions” below, and entities that execute them “Large-Scale Acquirers.”) The Plan also stipulates Large-Scale Acquisition Rules for triggering defense measures in response to a Large-Scale Acquisition, such as the allotment of gratis stock warrants and other measures deemed appropriate at the time.

Please refer to attachment 3 for an outline of the Plan.

#### 1. Shares and other securities

Refers to shares and other securities as defined in Article 27, Paragraph 23-1 of the Financial Instruments and Exchange Act.

#### 2. Specified shareholders and other entities

Specified shareholders and other entities means either (i) a holder (defined in Article 27-23, paragraph 1, of the Financial Instruments and Exchange Act, including a person or a company deemed as a holder pursuant to paragraph 3 thereof) of shares and other securities (defined in Article 27-23, paragraph 1, of the Financial Instruments and Exchange Act) or (ii) a person or a company who makes a purchase (defined in Article 27-2, paragraph 1, of the Financial Instruments and Exchange Act, including a purchase made on a securities exchange market) and any joint holders (defined in Article 27-23, paragraph 5, of the Financial Instruments and Exchange Act, including a person or a company deemed as a joint holder pursuant to paragraph 6 thereof) and any specially related parties (defined in Article 27-2, paragraph 7, of the Financial Instruments and Exchange Act).

#### 3. Voting Rights Ratio

The total number of voting rights used as the denominator when calculating the voting rights ratio is found by dividing the total number of shares on issue, after certain exclusions, by the number of shares in one trading unit (100 shares). The following are excluded from the total number of shares on issue:

- (i) the number of shares of a quantity that constitute less than a trading unit as noted in the Company’s *Yuka shoken hokokusho* (annual report required under Japanese regulations) or *Hanki hokokusho* (interim report required under Japanese regulations), whichever has most recently been submitted;
- (ii) the number of shares of treasury stock held by the Company (excluding the number of shares of a quantity constituting less than a trading unit ) as noted in the Company’s *Yuka shoken hokokusho*, *Hanki hokokusho*, or *Jiko kabuken kaitsuke jokyō hokokusho* (a report on the status of stock repurchases executed by the Company), whichever has most recently been submitted; and
- (iii) the number of “unclaimed” shares (excluding the number of shares of a quantity constituting less than a trading unit ) in the name of the Japan Securities Depository Center Inc. (JASDEC)

#### 2) Establishment of Independent Committee

To prevent arbitrary decisions by the Board of Directors on the implementation of defense measures, the Plan requires the creation of an Independent Committee composed only of members who are independent from the Company’s Board of Directors, such as outside directors of the

Company, outside auditors of the Company, or other outside experts. (An outline of the Independent Committee rules is presented in attachment 4.) The Independent Committee will study the details of the Large-Scale Acquisition based on the information received from the Large-Scale Acquirer and following discussions with the Large-Scale Acquirer, and then submit a recommendation to the Company's Board of Directors. The Company's Board of Directors will respect this recommendation to the maximum extent possible, and then decide whether or not to trigger the defense measures against the Large-Scale Acquirer.

The Independent Committee will consist of at least 3 members, and these members will be appointed from among outside directors, outside auditors, and outside experts able to act substantially independently of the Company's Board of Directors. The names and brief profiles of the initial Independent Committee members are presented in attachment 5.

## **2. Details of Large-Scale Acquisition Rules**

### **1) Requests for Information from a Large-Scale Acquirer**

#### **a) Submission of Statement of Intent**

In the event that a Large-Scale Acquirer intends to carry out a Large-Scale Acquisition, the Large-Scale Acquirer in question will submit, in advance, a Statement of Intent to the Company's Board of Directors. The Statement of Intent must include basic information about the Large-Scale Acquirer including but not limited to its name, address, law under which it was established, name of representative(s) and contact information in Japan, an outline of the Large-Scale Acquisition that the Large-Scale Acquirer is proposing, and a pledge to comply with the Large-Scale Acquisition Rules. The Statement of Intent must be submitted in Japanese, in a form prescribed by the Company.

#### **b) Request for Information from a Large-Scale Acquirer**

Within 10 business days of receiving the Statement of Intent, the Company's Board of Directors will submit to the Large-Scale Acquirer a list of information to be submitted by the Large-Scale Acquirer to assist the Company's shareholders and Independent Committee in making a decision, as well as to assist the Company's Board of Directors form an opinion, on the Large-Scale Acquisition ("Large-Scale Acquisition Information"). The Large-Scale Acquirer will promptly submit to the Company the information specified in this list in Japanese and in the form prescribed by the Company. The Large-Scale Acquisition Information to be requested is noted in items 1 through 7 below.

Upon receiving the Large-Scale Acquisition Information from the Large-Scale Acquirer, the Company's Board of Directors will promptly submit this information to the Independent Committee.

If the Independent Committee determines the Large-Scale Acquisition Information submitted by the Large-Scale Acquirer to be insufficient for the purpose of examining the details of the proposed Large-Scale Acquisition, the Independent Committee may establish a response deadline and request, either directly or via the Company's Board of Directors, that the Large-Scale Acquirer provide additional information.

Further, if, following the start of the examination period (defined in 3) below), the Large-Scale Acquirer alters the details of the Large-Scale Acquisition based on which the Large-Scale Acquisition Information was requested, the Independent Committee may request, either directly or via the Company's Board of Directors, that the Large-Scale Acquirer provide Large-Scale Acquisition Information related to the Large-Scale Acquisition plans as they stand following the changes.

The Independent Committee will promptly disclose the fact that the Statement of Intent was submitted. If necessary, the Independent Committee will disclose all or part of the Large-Scale Acquisition Information, or other information received from the Large-Scale Acquirer, at a time and in a method that the Independent Committee deems appropriate.

1. Details of the Large-Scale Acquirer and its group (this includes the names of each fund member and other constituents if it is a party with an interest in the Company such as a specified shareholder or a fund; the same applies below), including its specific name, capital structure, financial position, and details of transactions similar to the Large-Scale Acquisition and details of the results of such transaction.
2. The purpose, method and details of the Large-Scale Acquisition (including the type and amount of payment for the Large-Scale Acquisition, the timeframe of the Large-Scale Acquisition, the scheme of any related transactions, the legality of the method for the Large-Scale Acquisition, and the probability that the Large-Scale Acquisition will be executed).
3. The basis for the calculation of the acquisition price (including the facts and assumptions underlying the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Large-Scale Acquisition, and the details of such synergies to be shared with other shareholders).
4. Financial support for the acquisition (including the specific name, financing methods, and the details of any related transactions of the funds providers (including all effective fund providers)).
5. Intended post-acquisition management policy, business plan, capital, and dividend policies for the Company and the Company group.
6. Post-Acquisition policies dealing with the Company's employees, business partners, customers, and any other of the Company's stakeholders.
7. Any other information that the Independent Committee reasonably considers to be necessary.

If the Independent Committee recognizes that a Large-Scale Acquirer has initiated a Large-Scale Acquisition without complying with the Large-Scale Acquisition Rules, as a general rule, it will recommend that the Company's Board of Directors implement a gratis allotment of Stock Warrants in accordance with 4) below, except in particular circumstances where it is determined that the Company should proceed with a request for the submission of a Statement of Intent and the Large-Scale Acquisition Information and pursue discussions and negotiations with the Large-Scale Acquirer.

#### 2) Request to the Company's Board of Directors for the Provision of Information

Upon receiving the Large-Scale Acquisition Information, the Independent Committee may request that the Company's Board of Directors present, within a set timeframe, an opinion (including reservations) about the Large-Scale Acquirer's Large-Scale Acquisition Information, and any other information provided by the Large-Scale Acquirer, as well as supporting materials, an alternative proposal (if one exists), and any other information that the Independent Committee considers suitably necessary, so that all information received from the Large-Scale Acquirer can be examined and compared with the Company's Board of Directors' business plan and its evaluation of corporate value and other factors.

#### 3) Independent Committee Examination of the Large-Scale Acquisition

The Independent Committee will use the Large-Scale Acquisition Information received from the Large-Scale Acquirer via the Company's Board of Directors, information obtained from the Board of Directors, and any other information obtained by the Independent Committee itself to evaluate and consider whether a Large-Scale Acquisition by a Large-Scale Acquirer would contribute to an increase in the Company's corporate value and protect and enhance the common interests of all shareholders. If necessary, the Independent Committee will engage in negotiations with the Large-Scale Acquirer concerning the terms of the Acquisition and consider whether takeover defense measures should be executed.

In the process of evaluating and examining these matters, the independent committee may, at the company's expense, receive advice from third parties which are independent from the Company's Board of Directors (including experts such as financial advisors, certified public accountants, lawyers, and consultants).

The Independent Committee will establish a period of time for the evaluation and examination of the Large-Scale Acquisition ("Examination Period"). This Examination Period will be 60 days in the case of an all-cash (Japanese yen) tender offer for acquiring all of the Company's shares, and 90 days for all other cases. The Large-Scale Acquirer may not initiate the Large-Scale Acquisition during the Examination Period (including the period following an extension, if the period is extended in line with 4) c below; the same applies below), and it may only initiate the Large-Scale Acquisition after the

Company's Board of Directors has—after receiving the Independent Committee's recommendation based on the examination carried out by the Board during the Examination Period—passed a resolution on the execution of takeover defense measures

When the Independent Committee begins the Examination Period, it will notify the Large-Scale Acquirer, and it will publicly disclose this to the public when, and in the manner, it deems appropriate.

#### 4) The Independent Committee's Decision

During the Examination Period, the Independent Committee will evaluate and examine whether takeover defense measures should be executed against the Large-Scale Acquirer, and its decision will be one of those described below.

Even after making its recommendation to the Company's Board of Directors, the Independent Committee may alter the details of the recommendation or rescind the recommendation if the Large-Scale Acquirer has since altered the details of the Large-Scale Acquisition or terminated the Large-Scale Acquisition, or if the facts serving as the underlying basis for the Independent Committee's decision have otherwise since changed.

##### a) The Independent Committee Recommends Executing Takeover Defense Measures

If the Independent Committee recognizes that a Large-Scale Acquirer has initiated a Large-Scale Acquisition without complying with the Large-Scale Acquisition Rules, as a general rule, it will recommend that the Company's Board of Directors implement a gratis allotment of Stock Warrants in accordance with 4) below, except in particular circumstances where it is determined that the Company should proceed with a request for the submission of a Statement of Intent and the Large-Scale Acquisition Information and pursue discussions and negotiations with the Large-Scale Acquirer.

However, even if the Large-Scale Acquirer complies with the Large-Scale Acquisition Rules, if the Independent Committee, after considering the details of the Large-Scale Acquisition based on the Large-Scale Acquisition Information, other information received from the Large-Scale Acquirer, or any other information obtained from the Company's Board of Directors or obtained by the Independent Committee itself, determines it to be clear that the Large-Scale Acquisition in question is an action that will cause damage to the Company from which it would be difficult to recover, and thus decides that it is appropriate to implement takeover defense measures, the Independent Committee will recommend that the Company's Board of Directors execute takeover defense measures. Here, "clear that the Large-Scale Acquisition in question is an action that will cause damage to the Company from which it would be difficult to recover" refers specifically to cases where one or more of the following conditions i through vii apply.

- i. A Large-Scale Acquisition carried out for the purpose of inflating the Company's share price and then selling it back to stakeholders at a high price, despite the acquirer having no real intention to participate in the Company's management (cases of "greenmailing").

- ii. A Large-Scale Acquisition carried out for the purpose of taking temporary control of the Company to transfer the Company's intellectual property, expertise, confidential corporate information, main business partners, and customers necessary for the Company's business to the Large-Scale Acquirer and/or its group companies.
- iii. A Large-Scale Acquisition carried out for the purpose of taking control of the Company and then diverting the Company's assets to secure or repay debts of the acquirer and/or its group companies.
- iv. A Large-Scale Acquisition carried out for the purpose of taking temporary control over the Company in order to sell or otherwise dispose of real estate, marketable securities, and other high-value assets that have no current relevance to the Company's business and using the profits from the disposal of those assets to declare a temporarily high dividend or taking advantage of the sudden rise in the share price resulting from a temporarily high dividend to sell the shares at a high price.
- v. An acquisition that results in effectively forcing shareholders into selling their shares, such as coercive two-tiered tender offers, in which the initial acquisition offer does not involve an offer to acquire all of the Company's shares but is followed by a second-stage acquisition offer with unfavorable terms or unclear terms.
- vi. Acquisitions whose terms (including amount and type of payment for the acquisition, the acquisition timing, the legality of the acquisition method, the probability of the acquisition being executed, post-acquisition management policies and business plans, and post-acquisition policies dealing with the Company's other shareholders, customers, business partners, employees, and any other of the Company's stakeholders) are inadequate or inappropriate in light of the Company's intrinsic value.
- vii. Acquisitions that pose a significant threat to the value of the Company and, in turn, the common interests of shareholders, by damaging relationships with employees, customers, business partners, the Company's brand, or the corporate culture, which are vital to the generation of the Company's corporate value.

b) The Independent Committee Recommends Against Executing Takeover Defense Measures

With respect to a Large-Scale Acquisition of a scale which will exert an influence on the Company's management, the Plan sets forth certain procedures for guaranteeing that, from the standpoint of protecting and increasing the Company's corporate value and, in turn, the common interests of all shareholders, all shareholders have enough necessary information to decide whether or not to accept the Large-Scale Acquisition offer, as well as the opportunity to receive the evaluation and opinion of the Independent Committee based on the Large-Scale Acquisition Information and negotiations with the Large-Scale Acquirer, and sufficient time to study them.

As such, if the Large-Scale Acquirer complies with the Large-Scale Acquisition Rules and the Independent Committee decides that it is not appropriate to implement the takeover defense measures against the Large-Scale Acquirer, the Independent Committee will, in principle, recommend that the takeover defense measures not be implemented.

#### c) The Independent Committee Decides to Extend the Examination Period

If, at the conclusion of the Examination Period, the Independent Committee decides that it has still not sufficiently examined the details of the Large-Scale Acquisition and/or sufficiently negotiated with the Large-Scale Acquirer, it may pass a resolution to extend the Examination Period by an amount of time—but no longer than 30 days—that could reasonably be considered necessary for examining the details of the Large-Scale Acquisition and/or negotiating with the Large-Scale Acquirer. If the Independent Committee passes a resolution to extend the Examination Period, it will notify the Large-Scale Acquirer and provide prompt public disclosure, via the Company’s Board of Directors, of the period of the extension and the reason for the extension

#### 5) Board of Directors’ Resolution

Upon receiving the Independent Committee’s recommendation, the Company’s Board of Directors will decide, with maximum consideration given to the Independent Committee’s recommendation, whether to implement takeover defense measures against the Large-Scale Acquirer. After passing a resolution, the Company’s Board of Directors will promptly notify the Large-Scale Acquirer and publicly disclose an overview of its resolution.

### **3. Takeover Defense Measures Against Large-Scale Acquisition**

#### 1) Details of Takeover Defense Measures

If the Company’s Board of Directors implements takeover defense measures, they will be either:

- a gratis allotment of Stock Warrants; or
- other measures deemed appropriate at the time, selected from among measures that, in light of all laws and regulations and the Company’s Articles of Association, are deemed to be within the power of the Company’s Board of Directors to implement.

If a gratis allotment of Stock Warrants is selected, the warrants will be of the form outlined in attachment 6.

#### 2) Cancellation or Withdrawal of Takeover Defense Measures

Even after making its decision to implement the a takeover defense measure, the Company’s Board of Directors may, with maximum consideration given to a revised recommendation of the Independent Committee, cancel or withdraw the resolution on the implementation of takeover defense measures if the Independent Committee revised its recommendation because the facts serving as the underlying basis for the Independent Committee’s decision have since changed—because the Large-Scale Acquirer altered the details of or terminated the Large-Scale Acquisition, for example—and the Large-Scale Acquisition is therefore no longer considered to be an action that would clearly cause damage to

the Company from which it would be difficult to recover or it is therefore otherwise decided that takeover defense measures should not be implemented

Specifically, if the Company's Board of Directors had passed a resolution to carry out a gratis allotment of Stock Warrants as a takeover defense measure, the Board of Directors may, during the period until the day before the date on which the defense measure takes effect, cancel the implementation of the gratis allotment of Stock Warrants, or acquire the allotted Stock Warrants at no charge during the period starting on the date on which the defense measure takes effect and ending on the day before the date on which the rights may first be exercised.

#### **4. Effective Period, Abolishment, and Amendment of the Plan**

This Plan will take effect following the approval of shareholders at the Annual Shareholders' Meeting and will remain in effect until the conclusion of the Company's 29<sup>th</sup> Annual Shareholders' Meeting scheduled for May 2011.

At the Company's 29<sup>th</sup> Annual Shareholders' Meeting, the Company will determine whether shareholders wish the Plan to remain in effect. If approval is received from shareholders, the Plan will remain in effect until the conclusion of the Annual Shareholders' Meeting for the last business year that ends within 3 years after the end of the Annual Shareholders' Meeting in question. Subsequently, approval will be sought from shareholders every 3 years in a similar manner.

However, even after receiving approval from shareholders, if, prior to the expiration of the effective period, a resolution is passed at the Company's shareholder meeting to abolish the Plan or a resolution is passed at the Company's Board of Directors Meeting to abolish the Plan, the Plan will be abolished at that time.

Further, if it is appropriate to amend the Plan due to the formulation, amendment, or abolishment of laws and ordinances or stock exchange regulations relevant to the Plan, or if it is appropriate to amend typographical errors or to supplement or otherwise make amendments to the Plan's wording that do not adversely impact shareholders, the Company's Board of Directors may revise or amend the Plan, even while it is in effect, subject to the approval of the Independent Committee and as long as such amendments do not go against the purpose of the Plan.

If the Plan is abolished, amended, or otherwise changed, the Company's Board of Directors will promptly disclose the fact that such abolition, amendment, or change has taken place, as well as the details of the amendment, or the like, and any other matters.

### **III. Reasonableness of the Plan**

#### **1. The Plan Fully Satisfies the Three Principles of the Guidelines for Takeover Defense Measures**

The Plan fully satisfies the three principles set out in the *Guidelines Regarding Takeover Defense Measures for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests* released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. These three principles are: 1) ensuring and enhancing corporate value and the common interests of shareholders; 2) disclosing information ahead of time and valuing the intent of shareholders; and 3) necessity and appropriateness.

## **2. Placing Importance on the Intent of Shareholders and Disclosure of Information**

This plan requires the approval of shareholders at the Annual Shareholders' Meeting as a requisite for entering into effect, and thus the introduction of this Plan will reflect the intent of shareholders.

Also, as stated above in section II, subsection 4, "Effective Period, Abolishment, and Amendment of the Plan," even if prior to the expiration of the effective period, if a resolution is passed at a meeting of the shareholders to abolish the Plan, the Plan will be abolished at that time. This ensures that the introduction and abolishment of the Plan reflect the intent of shareholders.

Further, so that shareholders are able to make an appropriate decision about abolishing the Plan or whether to sell the Company's shares in response to a Large-Scale Acquisition offer, as stated above in section II, subsection 1-1, "Request to the Large-Scale Acquirer for Provision of Information," the fact that a Statement of Intent was submitted will be promptly disclosed, and disclosure will be made regarding any other information received from the Large-Scale Acquirer at a time and in a method that the Independent Committee deems appropriate.

## **3. System for Eliminating Arbitrary Decisions by the Company's Board of Directors**

### **1) Placing Importance on the Decision of Outside Persons who are Highly Independent**

In introducing the Plan, the Company has established an Independent Committee in order to eliminate arbitrary decisions by the Company's Board of Directors.

As discussed above in section II, subsection 2-4, "The Independent Committee's Decision," and subsection 2-5, "Board of Directors Resolution," if a Large-Scale Acquisition is carried out against the Company, the Independent Committee will deliberate and study, through negotiations with the Large-Scale Acquirer and other actions, whether or not the takeover defense measures should be triggered against the Large-Scale Acquisition, will make a recommendation to the Company's Board of Directors, and the Company's Board of Directors will pass a resolution on the matter while taking the Independent Committee's recommendation into consideration to the maximum extent. As such, the Plan ensures a

system that can eliminate, to the maximum extent possible, the implementation of takeover defense measures based on arbitrary decisions by the Company's Board of Directors.

## 2) The Establishment of Reasonable and Objective Requirements

As discussed above in section II, subsection 2-4, a and b, this Plan has been established so that it will only be triggered if reasonable and detailed objective requirements have been satisfied, such as the case where the Large-Scale Acquirer does not comply with the Large-Scale Acquisition Rules or the case where the Large-Scale Acquirer will clearly damage the Company's corporate value. As such, the Plan ensures a system that can eliminate, to the maximum extent possible, the implementation of takeover defense measures based on arbitrary decisions by the Company's Board of Directors.

## 3) Not a Dead-Hand or Slow-Hand Takeover Defense Measure

As stated above in section II, subsection 4, "Effective Period, Abolition and Amendment of the Plan," the Plan may be abolished by the Board of Directors. As such the Plan is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority of the members of the Board of Directors are replaced, the triggering of the measure cannot be canceled). Also, because the term of office for the Company's Board of Directors is one year and the Company has not adopted a system of staggered terms of office, the Plan is not a slow-hand takeover defense plan measure (a takeover defense measure in which canceling the implementation takes more time due to the fact that the members of the Board of Directors cannot be replaced all at once).

# **IV. Impact on Shareholders and Other Investors**

## **1. Impact of Plan Introduction on Shareholders and Other Investors**

At the time of its introduction, the Plan will have no direct or material impact on the rights and interests of shareholders and investors. This is because at that time, no actual gratis allotment of Stock Warrants will be implemented

This plan has a purpose of ensuring that shareholders and other investors have the necessary time and information to make a decision about whether or not to consent to the Large-Scale Acquisition, and to guarantee that the Company's Board of Directors currently in charge of the Company's management can provide its opinion and that shareholders and other investors can have the opportunity to receive an alternative proposal. This will make it possible for the shareholders and other investors to make an appropriate decision about whether or not to consent to the Large-Scale Acquisition, based on an adequate amount of time and sufficient information. The Company therefore believes that the Plan contributes to ensuring the common interests of shareholders and other investors. Therefore, this Plan is serves as a basis for shareholders and other investors to make appropriate investment decisions, and the

Company believes the Plan's introduction contributes to ensuring and enhancing the common interests of shareholders and other investors.

Furthermore, as discussed above in section II, subsection 2-4, the Company's response policy towards the Large-Scale Acquisition in question will differ depending on whether or not the Large-Scale Acquirer complies with the procedures set forth in the Plan. Therefore, shareholder and other investors should pay close attention to the actions of the Large-Scale Acquirer.

## **2. Impact on Shareholders and Other Investors at the Time of Implementation of Takeover Defense Measures**

If the Large-Scale Acquirer does not comply with the procedures set forth in this Plan, the Company's Board of Directors may, in order to protect the Company's corporate value and in turn the common interests of shareholders, while taking the Independent Committee's recommendation into consideration to the maximum extent possible, execute a gratis allotment of Stock Warrants or execute another takeover defense measure that the Company's Board of Directors has the authority to execute based on all relevant laws and regulations as well as the Company's bylaws. If the Company's Board of Directors decides to execute a specific takeover defense measure, it will disclose such information at the proper time and in an appropriate manner in accordance with all relevant laws and regulations as well as stock exchange regulations.

If the Company's Board of Directors decided to carry out a gratis allotment of Stock Warrants as the takeover defense mechanism, it is possible that the Large-Scale Acquirer's share ownership ratio will become diluted or it will otherwise be adversely impacted with respect to its legal rights and/or economically. Conversely, under the scheme of the takeover defense mechanism in question, the Company does not expect conditions to arise where shareholders other than the Large-Scale Acquirer (which is the target of the implementation of the takeover defense measures) would suffer any particular losses, either with respect to legal rights and/or economically.

Furthermore, as discussed above in section II, subsection 3-2, even after the gratis allotment of Stock Warrants as the takeover defense measure has been resolved and the shareholders to be allotted stock warrants have been determined, the Company may cancel the gratis allotment of Stock Warrants or acquire those Stock Warrants without consideration to the entitled shareholders during the period beginning on the date the takeover defense measure enters into effect and ending on the day immediately prior to the date of commencement of the exercise period. In such cases, there will be no dilution in the value per share of the Company's stock and, as a result, there is the possibility that shareholders and other investors who have traded shares of the Company on the premise that the value per share of the Company will become diluted will suffer considerable losses due to the change of the price of the Company's stock.

### **3. Necessary Procedures for Shareholders if a Gratis Allotment of Stock Warrants is Implemented**

The following describes procedures related to shareholders if, of the takeover defense mechanisms that may be considered, a gratis allotment of Stock Warrants is carried out or the Company acquires the Stock Warrants in line with the overview given in attachment 6.

#### **1) Procedures in the Case of a Gratis Allotment of Stock Warrants**

Shareholders eligible for a gratis allotment of Stock Warrants will automatically become holders of the Stock Warrants on the effective date set forth by the Company's Board of Directors, so there are no special procedures that need to be taken in conjunction with the allotment.

However, because the gratis allotment of Stock Warrants will be made to shareholders on a record date decided by the Company's Board of Directors, it will be necessary for shareholders who have not registered any changes of name to complete this by the applicable record date.

#### **2) Procedures for Exercising the Stock Warrants**

Shareholders must pay a certain monetary amount during a prescribed period in order to acquire the Company's stock when the Stock Warrants are exercised. A separate notification on the details of these procedures will be made if and when the allotment of Stock Warrants is actually carried out, in line with all relevant laws and regulations.

#### **3) Procedures for the Acquisition of Stock Warrants by the Company**

In the case that the Company acquires the Stock Warrants in return for shares of the Company's stock, if the Company follows the prescribed procedures necessary for the acquisition, shareholders who hold Stock Warrants that are the target of the acquisition can receive shares in the Company as compensation for the Company's Stock Warrants without paying an amount equivalent to the exercise price or otherwise following procedures concerning the exercising of the Stock Warrants. However, when the Company acquires the Stock Warrants, it may ask shareholders to submit a written document that verifies that they are not the Large-Scale Acquirer.

###

## Attachment 1

**Major Shareholders and Percentage Holdings**

(as at February 29, 2008)

Name	Address	Number of shares held (thousands)	Percentage of all shares on issue (%)
Hirokazu Sugiura	Nishio City, Aiichi Prefecture	8,112	12.80
Aeon Co., Ltd.	1-5-1 Nakase, Mihama-ku, Chiba City, Chiba Prefecture	6,566	10.36
Akiko Sugiura	Nishio City, Aiichi Prefecture	6,560	10.35
Sugi Trading Co., Ltd.	1-8-4 Mikawaanjocho, Anjo City, Aiichi Prefecture	6,000	9.47
Katsunori Sugiura	Kariya City, Aiichi Prefecture	2,592	4.09
Nobuya Sugiura	Kariya City, Aiichi Prefecture	2,592	4.09
Japan Trustee Services Bank, Ltd. (held in trust account)	1-8-11 Harumi, Chuo-ku, Tokyo	2,457	3.88
The Master Trust Bank of Japan, Ltd. (held in trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	1,614	2.54
The Nomura Trust and Banking Co., Ltd. (held in investment trust account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	1,343	2.12
Tsuruha Co., Ltd.	20-1-21 Kita 24 Johigashi, Higashi-ku, Sapporo City, Hokkaido	1,272	2.00
Total	—	39,109	61.75

## Attachment 2

**Distribution of Shareholders**

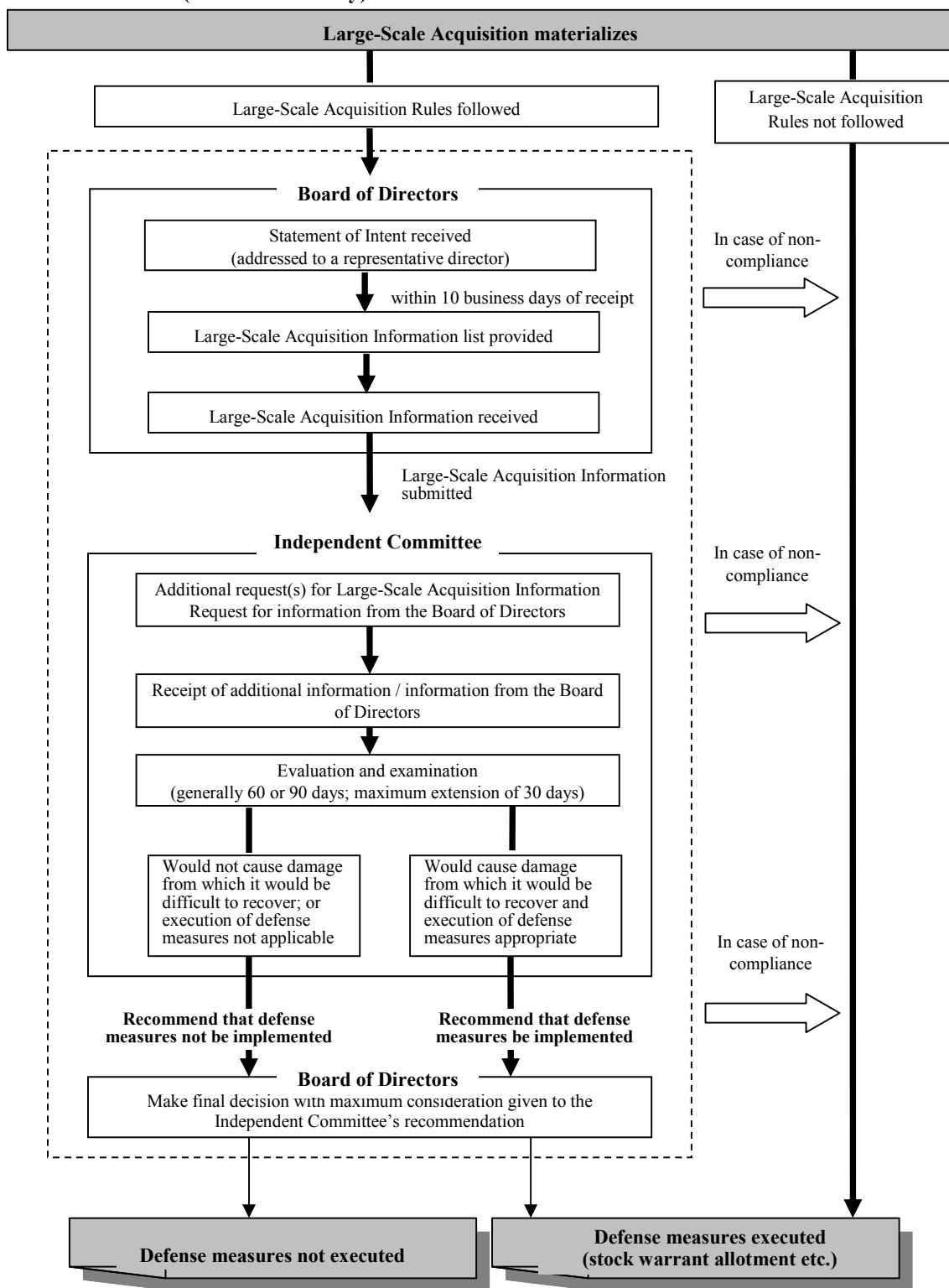
(as at February 29, 2008)

Category		Number of shareholders	Number of shares held (trading units)	Percentage of shares held (%)	
Details of shareholdings (1 trading unit = 100 shares)	Government and local government bodies	—	—	—	
	Financial institutions	46	87,723	13.85	
	Securities firms	28	778	0.12	
	Other corporate entities	214	145,868	23.06	
	Foreign shareholders	Non- individuals	165	133,001	21.03
		Individuals	1	1	0.00
	Individuals and other shareholders	21,453	264,986	41.90	
	Total	21,907	632,356	100.00	
	Shares not constituting part of a trading unit (number of shares)		1,323	57,126	—

## Notes:

1. Of 10,999 shares of treasury stock, 109 trading units are included in the figure for “other corporate entities” and 99 shares are included in “shares not constituting part of a trading unit.”
2. 10 trading units of stock, held in the name of the Japan Securities Depository Center, Inc., are included in the figure for “other corporate entities.”

**Procedural Chart (for reference only)**



The flowchart presented above is provided for reference only and has been constructed to give an easy-to-understand overview of the Large-Scale Acquisition Rules. Please refer to the body text of the press release for details of the Large-Scale Acquisition Rules.

Attachment 4

**Outline of the Independent Committee Rules**

1. Purpose of Establishing the Independent Committee

The Independent Committee will be established in order to secure the objectiveness, fairness, and reasonableness of the Board of Directors decisions with respect to the Plan.

2. Structure of Independent Committee

There will be no less than three (3) members of the Independent Committee and, to make fair and reasonable decisions possible, the members will be selected from among outside Company directors, the Company's outside corporate auditors, and other outside experts (including lawyers, certified public accountants, corporate executives with strong track records, academics or other persons of similar qualifications) who are independent from the management team that executes the business of the Company.

3. Term of Office of Committee Members

The term of office of Independent Committee members will run from the time of appointment until the conclusion of the first Board of Directors meeting after the conclusion of the first Annual Shareholders' Meeting following the appointment. Re-appointments will be allowed.

4. Procedures for Convening an Independent Committee Meeting

An Independent Committee Meeting will be convened by the Company's Representative Director or by any of the Independent Committee members.

5. Independent Committee Resolution Method

The Independent Committee's resolutions will, as a general rule, pass with at least a majority of votes cast when all of the Independent Committee members are in attendance. If any committee members are absent due to illness or other unavoidable reasons, resolutions will be passed with at least a majority of the votes of the Independent Committee members present.

6. The Authority of the Independent Committee

The Independent Committee has authority for the matters listed below. The Independent Committee members will approach deliberations from the standpoint of whether or not the matter at hand goes against the aim of ensuring and enhancing the Company's value and, in turn, the common interests of shareholders.

1. Deliberations regarding whether or not takeover defense measures available under the Plan should be implemented, and recommendations to the Company's Board of Directors based on such deliberations
2. Deliberations regarding whether or not takeover defense measures available under the Plan should be canceled or withdrawn, and recommendations to the Company's Board of Directors

based on such deliberations

3. Decisions on whether the information submitted by the Large-Scale Acquirer is necessary as well as sufficient and, in considering whether or not to recommend implementing the takeover defense measures, requests for necessary additional information, and decisions on the scope of additional information to requests
  4. Requests for certain information from the Company's Board of Directors, and decisions about the information to be requested
  5. Negotiations with the Large-Scale Acquirer
  6. Decisions on whether it is necessary to extend the period for considering whether or not takeover defense measures available under the Plan should be implemented, and decisions on the length of the extension
  7. Deliberations regarding correcting or amending the Plan to an extent that does not adversely impact shareholders, and recommendations to the Company's Board of Directors based on these deliberations
  8. Any other matters related to the Plan that the Company's Board of Directors voluntarily consults the Independent Committee about
7. Attendees at Independent Committee Meetings

If necessary, the Independent Committee may request the attendance of a Company director, corporate auditor, or employee, and may request the provision of necessary information.

8. Advice from Third Parties

The Independent Committee may, in executing its duties, at the Company's expense, obtain the advice of third parties (including experts such as financial advisors, certified public accountants, lawyers, and consultants) that are independent from the Company's Board of Directors.

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## Attachment 5

**Independent Committee Members**

Name	Noriyuki Watanabe	
Date of birth	October 10, 1940	
Professional history	May 1986	Managing Director, The Seiyu Co., Ltd.
	May 1992	Representative Director & Senior Managing Director, The Seiyu Co., Ltd.
	May 1995	Representative Director & Senior Managing Director, FamilyMart Co., Ltd.
	May 1997	Representative Director & Senior Vice President, FamilyMart Co., Ltd.
	Oct. 1997	Standing Director, Nippon Keidanren
		Representative Director & President, The Seiyu Co., Ltd.
	Feb. 2001	Representative Director & Chairman, The Seiyu Co., Ltd.
	May 2001	Chairman, Japan Chain Stores Association
	May 2003	Vice Chairman, Japan Chain Stores Association
	Mar. 2006	Chairman of the Board and Executive Officer, The Seiyu Co., Ltd.
May 2008	Outside Director, Sugi Pharmacy Co., Ltd. (subject to shareholder's approval)	
Name	Chihiro Okada	
Date of birth	May 20, 1951	
Professional history	Oct. 1990	Professor, Department of Economics, Shiga University
	Apr. 1991	Professor, Department of Economics, Nagoya Gakuin University
	Apr. 1992	Professor (Current), Department of Commerce, Nagoya Gakuin University
	Apr. 2004	Head of the Graduate School of Economics and Management Research, Department of Commerce, Nagoya Gakuin University
	Apr. 2005	Head of Management Policy at the Graduate School of Economics and Management Research, Nagoya Gakuin University
	May 2008	Outside Director, Sugi Pharmacy Co., Ltd. (Subject to shareholder's approval)
Name	Yoshiyuki Tsujimura	
Date of birth	April 10, 1947	
Professional history	Apr. 1979	Registered Attorney, Nagoya Bar Association
	Apr. 1981	Established the Tsujimura Law Firm
	Apr. 1996	Civil Arbitration Committee Member, Okazaki Branch, Nagoya District Court (current position)
	May 2004	Outside Auditor, Sugi Pharmacy Co., Ltd.
	May 2008	Outside Auditor, Sugi Pharmacy Co., Ltd. (scheduled to be reappointed)

## Attachment 6

### Overview of Stock Warrants

#### 1. Total Number of Stock Warrants to be Allotted

The total number of Stock Warrants allotted to shareholders will be determined by the Company's Board of Directors and will be no higher than the number N found using the following formulas:

$$D = [(A - B) / C]$$

$$N = D \times B$$

where:

- A = total number of issuable shares on the allotment record date (a date set forth by the Company's Board of Directors);
- B = total number of issued shares on the allotment record date;
- C = total number of issued shares on the allotment record date (excluding the number equivalent to the number of treasury shares owned by the Company on the record date);
- the decimal places of D are truncated; and
- if less than 1, the value of D is set to 1.

#### 2. Shareholders Entitled to an Allotment of Stock Warrants and Allotment Method

At least one Stock Warrant (based on a ratio set forth by the Company's Board of Directors) will be granted without consideration to a shareholder, per one share held by such shareholder (excluding the shares held by the Company as treasury stock), whose name is recorded in the final register of shareholders or the register of beneficial shareholders as of the allotment record date.

#### 3. Type and Number of Shares to be Acquired upon Exercise of Stock Warrants

The type of shares to be acquired upon exercise of Stock Warrants will be the Company's common stock, and the number of shares to be acquired upon exercise of one stock warrant will be a number determined by the Company's Board of Directors that is no higher than the number N found using the following formulas:

$$D = [(A - B) / C]$$

$$N = D \times B$$

where:

- A = total number of issuable shares on the allotment record date (a date set forth by the Company's Board of Directors);
- B = total number of issued shares on the allotment record date;
- C = total number of issued shares on the allotment record date (excluding the number equivalent to the number of treasury shares owned by the Company on the record date);
- the decimal places of D are truncated; and

- if less than 1, the value of D is set to 1.

However, in the case that the Company effects a stock split or stock merger, or in any other case that warrants an adjustment of the number of shares to be acquired upon exercise of Stock Warrants, such necessary adjustment will be made.

#### 4. Effective Date of Gratis Allotment of Stock Warrants

To be set forth separately by the Company's Board of Directors.

#### 5. Amount of Assets to be Contributed upon the Exercise of each Stock Warrant

Contributions upon the exercise of Stock Warrants will be in cash, and the amount of assets to be contributed upon the exercise of each Stock Warrant will be one Japanese yen or as determined by the Company's Board of Directors.

#### 6. Restrictions on Transfer of Stock Warrants

Acquisition of Stock Warrants by way of transfer requires the approval of the Company's Board of Directors.

#### 7. Acquisition of Stock Warrants by the Company

The Company may, on a date determined by the Company's Board of Directors (the "Acquisition Date"), acquire all Stock Warrants that have not been exercised (excluding Stock Warrants held by persons unable to exercise Stock Warrants as stipulated in item 8 below) by the day immediately preceding the Acquisition Date, in exchange for delivery of one share of the Company's common stock for every one Stock Warrant acquired.

#### 8. Conditions for Exercise of Stock Warrants

Neither a Large-Scale Acquirer and/or its specific shareholders, etc., nor other parties that have either acquired or succeeded Stock Warrants from a Large-Scale Acquirer and/or its specific shareholders, etc., without the approval of the Company's Board of Directors will be allowed to exercise Stock Warrants. Other exercise conditions will be determined by the Company's Board of Directors.

#### 9. Other

The exercise period of Stock Warrants and other necessary matters will be determined separately by the Company's Board of Directors.

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