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FOR IMMEDIATE RELEASE

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### **Sugi Pharmacy has Discovered Embezzlement by a Former Director**

Sugi Pharmacy Co., Ltd., announced today that it recently discovered that its former Director and head of the Accounting Division misappropriated company funds for personal use over a period of several years. At a Board of Directors Meeting held today, the overall details of this embezzlement were reviewed and a strategy in response to this issue was decided on. Details appear below.

Sugi Pharmacy sincerely regrets the impact this incident will have on its shareholders, customers, and business partners.

#### **1. Overall details of the embezzlement**

Over the period from around July 2001 to June 2008, the former Director used his position of control over Sugi Pharmacy's accounting functions and responsibility for the custody and management of funds to misappropriate company funds for personal trading in commodity futures.

Sugi Pharmacy estimates that the loss from this embezzlement will be around ¥430 million.

When the embezzlement was discovered on July 1, 2008, Sugi Pharmacy immediately launched an internal investigation, and at the Board of Directors Meeting held today, the overall details of the embezzlement were reviewed and a strategy in response to this issue was decided on.

## 2. Action taken against the former Director and internal disciplinary action

- 1) The former Director was dismissed, effective today. Sugi Pharmacy will also pursue criminal charges against the former Director while seeking compensation for damages through civil action as part of its efforts to recover the funds.
- 2) The following internal disciplinary action will be taken to clarify management accountability:

Representative Director	President	30% reduction in monthly compensation	3 months
Representative Director	Executive Vice President	20% reduction in monthly compensation	3 months
Managing Director	Group Management Division	10% reduction in monthly compensation	3 months
Director	Management Division	10% reduction in monthly compensation	3 months
Corporate Auditor		10% reduction in monthly compensation	1 month

## 3. Impact on financial results

Sugi Pharmacy plans to record an extraordinary loss of around ¥430 million in its interim results, but its full-year financial forecast remains unchanged.

## 4. Strategy in response

Sugi Pharmacy is currently establishing internal control systems in the lead up to the implementation of Japan's regulatory requirements for internal control over financial reporting (the J-SOX requirements). Particularly under these circumstances, Sugi Pharmacy sincerely regrets the impact this incident will have on its shareholders, customers, and business partners.

All executives and employees recognize such misconduct as extremely serious, and are working as one to prevent similar incidents from occurring in the future.