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Sugi Holdings Announces Restructuring of Two Subsidiary for Group Reorganization

Sugi Holdings Co., Ltd. (“the Company”) announced today that it resolved, for group restructuring, to merge Sugi Pharmacy Co., Ltd. and Iizuka Yakuhin Co., Ltd., both of which are wholly-owned subsidiaries of the Company, and to split the rights and obligations on and others relating to the business regarding operation and management of the assets at Sugi Pharmacy Co., Ltd. which will be the surviving company as the result of this particular merger to the Company.

Incidentally, some information is omitted from disclosure in III. Matters regarding the Company Split between Sugi Pharmacy Co., Ltd. and Sugi Holdings Co., Ltd. because the Company takes over some business of the wholly owned subsidiary through this particular split.

I. Objectives of the Reorganization

Since Iizuka Yakuhin Co., Ltd. became a wholly owned subsidiary of Sugi Holdings Co., Ltd. (“the Company”) on February 28, 2008, it has improved store management through personnel exchange with Sugi Pharmacy Co., Ltd., trying hard to turn around, and finally foresees a return to profitability in the fiscal year ending February 2011. The Company aims to increase corporate value of the group by perfectly combining Sugi Pharmacy Co., Ltd. and Iizuka Yakuhin Co., Ltd. into one in order to accelerate its business expansion in the Kanto region.

Simultaneously, the Company intends to take over the rights and obligations on and others relating to the business regarding investment and management of the assets at Sugi Pharmacy Co., Ltd. as the surviving company as the result of this particular company split (absorption-type company split), based on its policy that the Company should collectively manage the assets and others of the group while its business subsidiaries should dedicate themselves to their operations respectively.

II. Matters regarding the Merger between Sugi Pharmacy Co., Ltd. and Iizuka Yakuhin Co., Ltd.

1. Outline of the Merger

(1) Schedule

Resolution date by board of directors	September 20, 2010 (at the both parties)
Signing date	September 20, 2010
Date of general meeting of shareholders	September 24, 2010 (to be held by the both parties)
Implementation date (effective date)	February 1, 2011 (as scheduled)

(2) Type of the Merger

An absorption-type merger in which Sugi Pharmacy Co., Ltd. shall be a surviving company while Iizuka Yakuhin Co., Ltd. shall be dissolved.

(3) Allotment pertaining to the Merger

There shall be no new share issuance, capital increase in capital or money to be delivered for merger pertaining to this particular merger.

(4) Subscription Rights of and Bonds with Subscription Rights of New Shares

There are no applicable matters.

2. Outlines of the Parties of the Merger

	Company surviving absorption-type merger	Company absorbed in absorption-type merger			
(1) Name	Sugi Pharmacy Co., Ltd.	Iizuka Yakuhin Co., Ltd.			
(2) Location	1-8-4 Mikawa Anjo-cho, Anjo-city, Aichi prefecture	1-19-9 Kami Aoki Nishi, Kawaguchi-city, Saitama prefecture			
(3) Representative	Yukimasa Yoneda, President and Representative Director	Yuichi Sunaga, President and Representative Director			
(4) Line of business	Chain of prescription pharmacies and drugstores	Drugstore chain			
(5) Capital	50 million yen	100 million yen			
(6) Established on	September 1, 2008	February 28, 2008			
(7) Number of shares issued	1,000 shares	1 share			
(8) Fiscal yearend	End of February	End of February			
(9) Number of employees	2,583 (3,011) * The number of employees is stated as of February 28, 2010, excluding the number of part-timers and contracted staff, whose average for the fiscal year ended February 2010 is parenthesized.	161 (490) * The number of employees is stated as of February 28, 2010, excluding the number of part-timers and contracted staff, whose average for the fiscal year ended February 2010 is parenthesized.			
(10) House bank	The Bank of Tokyo-Mitsubishi UFJ	The Bank of Tokyo-Mitsubishi UFJ			
(11) Major shareholders and their stakes	100 % held by the Company	100 % held by the Company			
(12) Earnings performance and financial position for latest 3 years	(unit: million yen unless otherwise indicated)				
Fiscal year ended	Sugi Pharmacy Co., Ltd. (stand-alone)		Iizuka Yakuhin Co., Ltd. (stand-alone)		
	Feb 2009	Feb 2010	Feb 2008	Feb 2009	Feb 2010
Net assets	10,789	9,254	957	198	-576
Total assets	43,296	48,732	5,733	5,244	4,685
Net assets per share (yen)	10,789,054.07	9,254,221.78	957,717,421	198,455,417	-576,430,918
Net sales	93,594	203,530	-	15,676	16,177
Operating profit	5,219	8,616	-	-71	-515
Recurring profit	5,784	9,848	-	-8	-311
Net income	2,734	5,426	-	-758	-775
Net income per share (yen)	2,734,731.62	5,426,724.71	-	-758,445,599	-775,280,671
Dividends per share (yen)	1,367,365	6,794,091.331	-	-	-

3. Post-merger Changes

There will be no changes in trade name, head office location, representative's name and title, line of business, capital, fiscal year end at Sugi Pharmacy Co., Ltd. which will be the company surviving absorption-type merger as a result of this particular merger.

4. Post-merger Outlook

Impact on the Company's consolidated earnings caused by this particular merger is deemed immaterial because it will be a merger between wholly owned subsidiaries of the Company.

III. Matters regarding the Company Split between Sugi Pharmacy Co., Ltd. and Sugi Holdings Co., Ltd.

1. Outline of the Split

(1) Schedule

Resolution date by board of directors	September 20, 2010 (at the both parties)
Signing date	September 20, 2010
Date of general meeting of shareholders	September 24, 2010 (to be held by Sugi Pharmacy Co., Ltd. only)
Implementation date (effective date)	February 28, 2011 (as scheduled)

* For the Company, a resolution by the general meeting of shareholders will not be required for this particular merger because it falls within the scope of Article 796, Paragraph 3 of the Corporation Law.

(2) Type of the Split

An absorption-type company split in which Sugi Pharmacy Co., Ltd. shall be a splitting company while the Company shall be a succeeding company in the split.

(3) Allotment pertaining to the Split

There shall be no new share issuance or money to be delivered for absorption-type split pertaining to this particular split.

(4) Subscription Rights of and Bonds with Subscription Rights of New Shares

There are no applicable matters.

(5) Changes in Capital Caused by the Split

There will be no change in capital resulting from this particular split.

(6) Right and Obligations to Be Taken over by the Succeeding Company

The Company shall take over rights and obligations on the assets, liabilities, employment contracts and others in association with the investment and management business conducted by Sugi Pharmacy Co., Ltd.

(7) Post-merger Debt Servicing

The Company expects that it will continue to duly meet its debt obligations with no difficulties regardless of this particular company split.

2. Outlines of the Parties of the Split

	Succeeding company	Splitting company				
(1) Name	Sugi Holdings Co., Ltd.	Sugi Pharmacy Co., Ltd.				
(2) Location	1-8-4 Mikawa Anjo-cho, Anjo-city, Aichi prefecture	1-8-4 Mikawa Anjo-cho, Anjo-city, Aichi prefecture				
(3) Representative	Tadashi Masuda President and Representative Director	Yukimasa Yoneda, President and Representative Director				
(4) Line of business	Control and management of companies running facilities providing medical services and drugstore chains	Chain of prescription pharmacies and drugstores				
(5) Capital	15,434 million yen	50 million yen				
(6) Established on	March 8, 1982	September 1, 2008				
(7) Number of shares issued	63,330,838 shares	1,000 shares				
(8) Fiscal yearend	End of February	End of February				
(9) Number of employees	3,924 on a consolidation basis (4,689) * The number of employees is stated as of February 28, 2010, excluding the number of part-timers and contracted staff, whose average for the fiscal year ended February 2010 is parenthesized.	2,583 (3,011) * The number of employees is stated as of February 28, 2010, excluding the number of part-timers and contracted staff, whose average for the fiscal year ended February 2010 is parenthesized.				
(10) House bank	The Bank of Tokyo-Mitsubishi UFJ	The Bank of Tokyo-Mitsubishi UFJ				
(11) Major shareholders and their stakes	14.90% held by Sugi Shoji Co., Ltd. 11.87% by the Master Trust Bank of Japan, Ltd. (trust account) 10.09% by Hirokazu Sugiura 7.64% by Akiko Sugiura 4.89% by Goldman Sachs Regular Account	100 % held by the Company				
(12) Earnings performance and financial position for latest 3 years						
Fiscal yearend	Sugi Holdings Co., Ltd. (consolidated)			Sugi Pharmacy Co., Ltd. (stand-alon)		
	Feb 2008	Feb 2009	Feb 2010		Feb 2009	Feb 2010
Net assets	65,851	70,323	74,570		10,789	9,254
Total assets	112,400	116,367	124,888		43,296	48,732
Net assets per share (yen)	1,039.97	1,110.64	1,177.71		10,789,054.07	9,254,221.78
Net sales	248,134	272,197	293,511		93,594	203,530
Operating profit	10,879	11,845	10,145		5,219	8,616
Recurring profit	12,067	13,601	12,277		5,784	9,848
Net income	6,861	5,374	5,180		2,734	5,426
Net income per share (yen)	108.35	84.88	81.82		2,734,731.62	5,426,724.71
Dividends per share (yen)	12	12	12		1,367,365	6,794,091.331

(unit: million yen unless otherwise indicated)

3. Outline of Business Taken over

(1) Line of Business to Be Taken over

Asset investment and management

(2) Items and Amounts of Assets and Liabilities to Be Taken over

The items of the assets to be taken over include cash and deposits, short-term loans receivable, advances, land, buildings, leaseholds, investment securities, long-term loans receivable, guarantee money in deposit, and others while the items of liabilities mainly consists of guarantee deposits received.

The exact amounts of the assets and liabilities which will be taken over will be disclosed when they are available. It is because the prices of those items at which will be actually settled should be fixed basically on the ground of their balance sheet and other financial data as of February 28, 2010, but by additionally taking into consideration changes which will take place subsequently during a period to the day immediately preceding the effective date of this particular company split. The fixed prices may therefore differ from their book values as of February 28, 2010 mainly due to subsequent changes in the number of stores at Sugi Pharmacy Co., Ltd. and Iizuka Yakuhin Co., Ltd.

4. Post-merger Changes

There will be no changes in trade name, head office location, representative's name and title, line of business, capital, fiscal year end at the Company as the succeeding company as a result of this particular split.

5. Post-merger Outlook

Impact on the Company's consolidated earnings caused by this particular split is deemed immaterial due to a split between wholly owned subsidiaries of the Company.