

**FOR IMMEDIATE RELEASE**

Company name Sugi Holdings Co., Ltd.  
Representative Tadashi Masuda, President and Representative Director  
Stock code 7649 1st Section, Tokyo Stock Exchange and Nagoya Stock Exchange  
Contact Makoto Kasai, General Manager of IR Department  
Telephone +81-566-73-6308

**Notification on the decision of organizational restructuring in Sugi group**

Sugi Holdings Co., Ltd. (the “Company”) is pleased to announce that the Board of Directors at its meeting held on September 17, 2012 decided the restructuring of the Company and its wholly owned subsidiaries as follows.

**I . Outline of the reorganization**

The Company decided, for group restructuring, to consolidate a discount store-type drugstore business of Japan Co., Ltd. (“Japan”) to Sugi Pharmacy Co., Ltd. (“Sugi Pharmacy”) through an absorption-Type Split, and to consolidate store related assets, such as lands and buildings and its management at the Japan to the Company through an absorption-Type Merger. The effective date of the corporate split and the merger is March 1, 2013.

**II . Objective of the reorganization**

The Sugi Group has been operating drugstores with prescription service, centering on Sugi Pharmacy, its consolidated subsidiary, as a community pharmacy that satisfies needs of local customers and patients. Meanwhile, Japan has been converting from a discount store business format to a discount store-type drugstore business format by introducing the sales of healthcare products and cosmetics since it became a wholly-owned subsidiary of the Company (Sugi Pharmacy at the time) on December 2, 2005.

The business environment for drugstores is becoming more severe due to keen competition among drugstores and the entry from the other types of business into OTC drugs.

The Sugi Group aims to post net sales of 500 billion yen with 1,500 stores in FY ending Feb. 2016. The Group will try to accomplish its target by seeking not only quantitative expansion, but also qualitative conversion—turning the group’s existing stores into new advanced formats of stores that can cope with needs of current customers after defining a core store concepts for each store format and reviewing each format’s target customers and patients, store locations and sizes, product selection and lineup etc. from the standpoint of the future view points.

Under such situations, the Company decided to merge the group’s two consolidated subsidiaries, “Sugi Pharmacy “ and “Japan”, together with the following objectives:

**(1) Accelerating the restructuring and upgrading of existing stores of “Sugi Pharmacy” and “Japan” in a bid to “expand its market share within its trade area”**

- The Company will focus on “expansion of its market share within its trade area” by combining “Sugi Pharmacy” (a drugstore with prescription service) and “Japan” (a discount store-type drugstore). At the same time, it will strive to restructure and upgrade existing stores to cope with business environment where demand has diversified and competition has intensified through active implementation of a scrap-and-build approach. Furthermore, to expand and secure its market share within its trade area,” the Company will consider turning “Japan” (a discount store-type drugstore) into “Sugi Pharmacy” (a drugstore with prescription service), converting “Sugi Pharmacy” into “Japan” and attaching a prescription dispensary to “Japan.”

**(2) Opening “Japan” (a discount store-type drugstore) to “accelerating business expansion”**

- The Company will set up “Japan Format Re-Construction Project,” a scheme to utilize both Japan’s know-how on discount store operations and Sugi Pharmacy’s know-how on drugstore operations, and will promptly construct a framework that enables it to accelerate the opening of “Japan” by focusing on the creation of a discount store-type drugstore business format.

In terms of the merger, 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 Japan, as the surviving company as the result of the merger, 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.

**III. Post-merger Outlook**

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