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FOR IMMEDIATE RELEASE

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**Notice Regarding Commencement of Talks for
Business Integration with Cocokara fine Co., Ltd.(TSE 3098)**

Sugi Holdings Co., Ltd. (hereinafter, “Sugi HD”) hereby announces that it has resolved at the Board of Directors’ meeting held today to commence consideration and talks for business integration (hereinafter, “Business Integration”) with Cocokara fine Co., Ltd. (hereinafter, “Cocokara fine”) aiming at becoming the Japan’s top healthcare company by combining management resources and know-how of both companies, and that it has signed a letter of consent (hereinafter, “the Letter of Consent”) with Cocokara fine to the effect that consideration and talks concerning the Business Integration will be commenced as detailed below.

1. Background and Purposes of Business Integration

Towards the realization of Sugi HD’s management philosophy “We work to see many more smiles of happiness of each customer, each employee and all people,” SUGI Pharmacy Co., Ltd. (hereinafter, “SUGI Pharmacy”) one of our subsidiaries, operates 1,190 drugstores offering dispensing prescription, medication services in the Kanto, Chubu and Kansai areas (of which, 833 pharmacies as of February 28, 2019). In the prescription sales business, SUGI Pharmacy handled over 8.6 million prescriptions per year while conducting home dispensing services at 447 stores. Concurrently, SUGI Pharmacy proactively focuses on various measures for providing a wide variety of supports ranging from healthcare services and disease prevention to nursing care and care for terminally ill patients to realize “a total healthcare strategy.”

Meanwhile, Cocokara fine positions “the establishment of healthcare network in communities” as its social mission aiming at the realization of its management philosophy “Contribute to communities by pursuing good health in mind and body of people,” under which home medication and home nursing care are comprehensively provided in communities through multiple-job cooperation associated with medical and nursing care services. For such purposes, Cocokara fine endeavors to establish cooperation between its 1,354 drugstores and pharmacies (of which, 292 pharmacies as of March 31, 2019) operating nationwide and nursing care peripheral businesses.

As the healthcare market grows on the back of aging society, the market scale of the drugstore industry continues to expand. It should be noted, however, that the competition for survival in the industry has been intensified in recent years due to aggressive openings of drugstores by competitors and companies of different business categories and types as well as price competitions, the business expansion of competitors through M&A, and the changes in purchase channels of consumers as a result of sales growth via the Internet in addition to increases in labor cost and construction cost.

Under these circumstances, Sugi HD had sounded Cocokara fine on the Business Integration, and made a formal proposal to Cocokara fine for the consideration of the Business Integration in late April 2019. After careful discussions by Cocokara fine at its Board of Directors’ meetings, the Letter of Consent has been concluded today.

Both companies believe that we are in agreement with the strategy to become a healthcare company by reinforcing the medical and nursing care business domain in which dispensing service expected to grow in the future is the core.

Furthermore, Cocokara fine has well-balanced drugstore networks mainly in the Kanto and Kansai areas. On the other hand, Sugi HD boasts the largest share of drugstores mainly in the Chubu and Kansai areas by implementing strategic dominance. Thus, the existing drugstore networks of both companies are in a highly supplementary relations in terms of areas, not facing a significant mutual competition. Therefore, we believe the Business Integration will create high synergies.

The newly integrated company to be established through the Business Integration will develop drugstores mainly in the Kanto, Chubu and Kansai areas. We believe that the new company will be able to become the No. 1 company in terms of quantity and quality by contributing to local

healthcare ranging from promoting good health and disease prevention for customers to nursing care and care for terminally ill patients, as well as providing goods and services that fit the needs of each customer.

Furthermore, we expect that we will also be able to create the innovation of medical field based on the dominant customer base, healthcare data, and experts (pharmacists, national-registered nutritionists, care managers, nurses, etc.) held by the integrated company.

2. Schedule for the Business Integration

Sugi HD and Cocokara fine are determined to work for the conclusion of the basic letter of consent which provides for the basic matters concerning the Business Integration by July 31, 2019. The specific schedules will be announced when each relevant dates are fixed.

3. Establishment of the Business Integration Study Committee

Both companies will establish the Business Integration Study Committee for intensive discussions on the Business Integration.