

Summary of First Half Results for Ending February 28, 2018

Financial Results 1st Half - FY Ending February 28, 2018 Supplementary Information

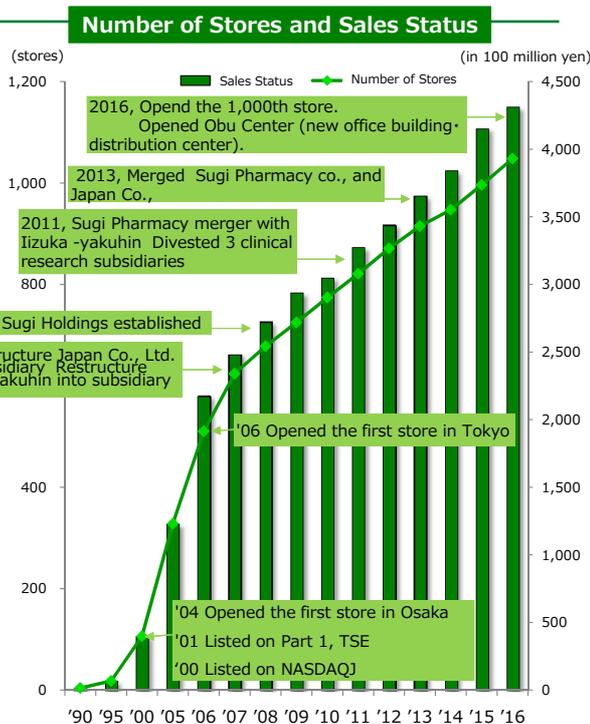
Securities ID Code: 7649, Part 1 of TSE and NSE

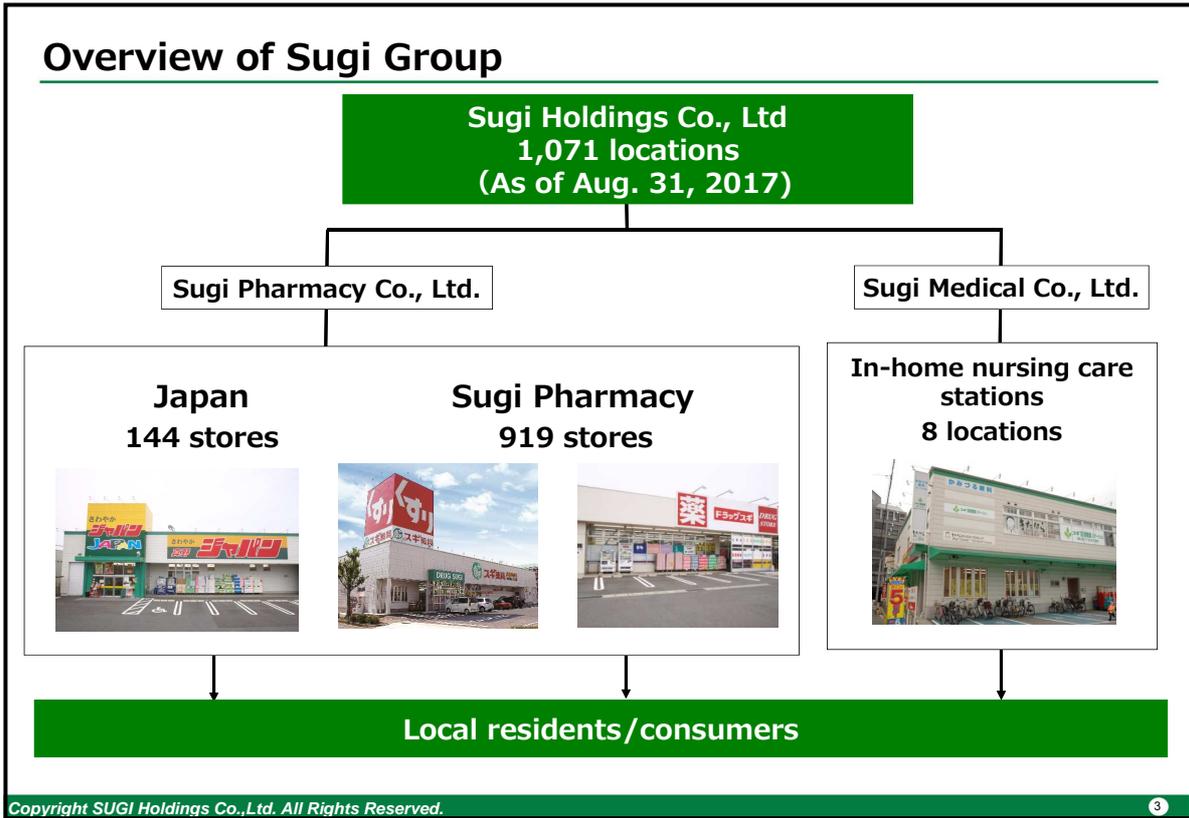
SUGI Holdings

October 11, 2017

PROFILE

Company name	Sugi Holdings Co., Ltd.
Head office	1-8-4, Mikawaanjo-cho, Anjo-City, Aichi Pref.
Establishment	Sugi Pharmacy was established in December 1976 to sell prescription drugs and OTC drugs.
Founded	March 1982
Paid-in capital	JPY15,434,588,000
Fiscal year-end	End of February
Number of shares outstanding	63,330,838 shares
Number of stores	1,071 (as of Aug, 2017)
Number of employees	5,436 (full-time) (as of Aug, 2017)
Net sales	JPY430,795m (FY ended Feb. 28, 2017- consolidated)
Operating Profit	JPY22,832m (FY ended Feb. 28, 2017- consolidated)
Description of business	Management of subsidiaries engaging in businesses including pharmacy business, drug store business, and in-home nursing care business





Store Openings and Closings

1st Half – FY Ending February 28, 2018

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Summary of First Half Results for Ending February 28, 2018

Store Openings and Closings

* Please note that "FY2017/2" and "FY 2018/2" in this presentation refers to the fiscal year ended in February 2017, and the fiscal year ending February 2018, respectively. The same notation is used in other pages.

1st Half : Opened 36 stores, closed 13 stores, increased 23 stores

Nos. of stores by region	FY2017/2 Full Year	FY2018/2 1st Half			Forecast after September 2017		FY 2018/2 Full Year forecast			
	As of the Term-End	Store Openings	Store Closings	As of the Term-End	Store Openings	Store Closings	Store Openings	Store Closings	Change	As of the Term-End
Kanto Region	265	7	8	264	10	2	17	10	+7	272
Chubu Region	419	15	5	429	23	4	38	9	+29	448
Kansai Region	364	14	0	378	16	1	30	1	+29	393
Total	1,048	36	13	1,071	49	7	85	20	+65	1,113

Nos. of stores by company	FY2017/2 Full Year	FY2018/2 1st Half			Forecast after September 2017			FY 2018/2 Full Year forecast				
	As of the Term-End	Store Openings	Store Closings	Store conversion	As of the Term-End	Store Openings	Store Closings	Store conversion	Store Openings	Store Closings	Store conversion	As of the Term-End
Sugi Pharmacy	882	36	7	+8	919	48	6	+2	84	13	+10	963
Japan	158	0	6	-8	144	1	1	-2	1	7	-10	142
Visit Nursing Care ST	8	0	0	0	8	0	0	0	0	0	0	8
Total	1,048	36	13	0	1,071	49	7	0	85	20	0	1,113

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Financial Highlights

1st Half - FY Ending February 28, 2018

- Consolidated -

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Summary of First Half Results for Ending February 28, 2018

1st Half Financial Highlight - Consolidated -

1st Half : Net sales (JPY229.4 billion) and operating profit (JPY12.5 billion)

	FY Ended 2017/2 1H (March to August)		FY Ending 2018/2 1H (March to August)				
	Results (in million yen)	Ratio to Sales(%)	Results (in million yen)	Ratio to Sales(%)	vs. Budget (in %)	vs. Budget (in million yen)	Y o Y
Net Sales	217,810	100.0	229,499	100.0	100.7	+1,499	105.4
Sugi Pharmacy business	178,254	81.8	189,997	82.8	101.2	+2,307	106.6
Japan business	38,688	17.8	38,285	16.7	97.7	-911	99.0
Others	868	0.4	1,217	0.5	109.2	+103	140.2
Gross Profit	59,386	27.3	65,151	28.4	103.4	+2,151	109.7
Sugi Pharmacy business	51,353	28.8	56,780	29.9	103.7	+2,013	110.6
Japan business	7,459	19.3	7,458	19.5	100.0	-2	100.0
Others	574	66.1	913	75.0	118.1	+140	159.1
SG&A Expenses	47,692	21.9	52,586	22.9	104.1	+2,086	110.3
Operating Income	11,694	5.4	12,565	5.5	100.5	+65	107.4
Non-operating Income	1,052	0.5	1,176	0.5	106.9	+76	111.8
Non-Operating Expenses	580	0.3	662	0.3	110.3	+62	114.1
Ordinary Income	12,166	5.6	13,078	5.7	100.6	+78	107.5
Extraordinary Income	0	-	0	-	-	-	-
Extraordinary Losses	444	0.2	129	0.1	28.7	-321	29.1
Net Income before Income Taxes	11,721	5.4	12,949	5.6	103.2	+399	110.5
Income Taxes	4,314	2.0	4,269	1.9	102.9	+119	99.0
Net Income	7,406	3.4	8,679	3.8	103.3	+279	117.2

Note: The number of "others" shows the number of "Sugi Medical", and the sum of "Sugi Pharmacy business headquarters" and "Sugi Holdings".

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1st Half SG&A Expenses Status - Consolidated -

1st Half : Total SG&A expenses increased up 10.3%

	FY Ended 2017/2 1H (March to August)		FY Ending 2018/2 1H (March to August)		
	Results (in million yen)	Ratio to Sales(%)	Results (in million yen)	Ratio to Sales(%)	Y o Y
Net Sales	217,810	100.0	229,499	100.0	105.4
Total Selling Expenses	4,105	1.9	4,118	1.8	100.3
Advertising Expenses	2,251	1.0	2,460	1.1	109.3
Premium Expenses	1,853	0.9	1,658	0.7	89.5
Personnel Expenses	23,932	11.0	26,308	11.5	109.9
Total Administrative Expenses	19,654	9.0	22,160	9.7	112.8
Rent Expenses	8,901	4.1	9,626	4.2	108.1
Depreciation Expenses	2,597	1.2	3,042	1.3	117.1
Utilities Expenses	1,978	0.9	2,108	0.9	106.6
Supplies Expenses	1,196	0.5	1,353	0.6	113.1
Tax and Public Charges	1,121	0.5	1,370	0.6	122.2
Commission Paid	1,508	0.7	1,752	0.8	116.2
Others	2,350	1.1	2,905	1.3	123.6
Total SG&A Expenses	47,692	21.9	52,586	22.9	110.3

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Sales Trend

1st Half - FY Ending February 28, 2018

Sales growth rate of existing stores- Sugi Group -

1st Half: Same store sales growth rate showed +1.6% (prescription; +9.1%, Sugi's commodity ; -0.01%, Japan's commodity; -0.2%), same store customer growth rate indicated -0.4%.



Summary of First Half Results for Ending February 28, 2018

Sales Trend by Product Group - Sugi -

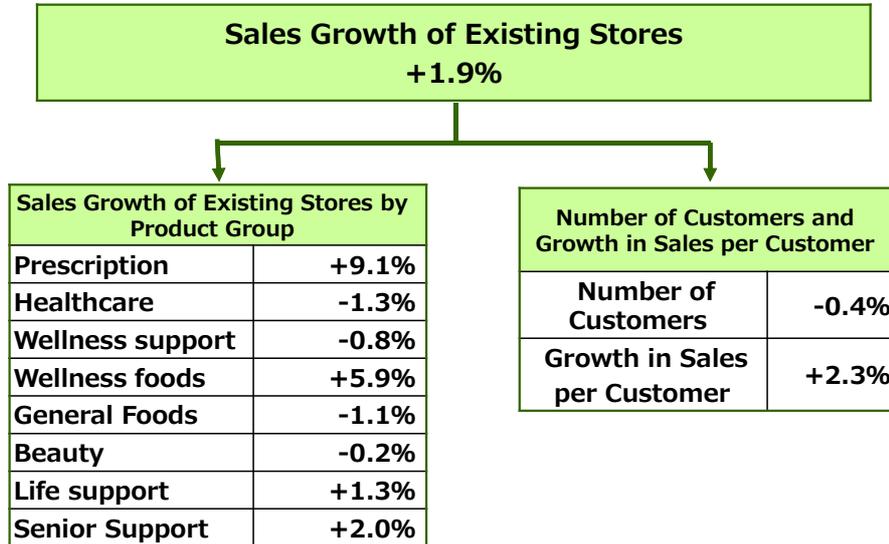
	Composition Ratio			Sales % vs. Budget	Sales % Y o Y	Gross Margin Rate			Gross Margin % vs. Budget
	FY 2017/2 1H	FY 2018/2 1H				FY 2017/2 1H	FY 2018/2 1H		
	Results	Budget	Results			Results	Budget	Results	
Prescription	21.1	21.5	21.8	102.4	110.2	34.3	36.6	37.7	+1.1
Healthcare	18.5	18.4	18.0	98.8	103.6	—	38.6	39.7	+1.1
Wellness support	2.6	2.6	2.6	100.8	104.3	—	32.3	34.8	+2.5
Wellness foods	2.5	2.8	2.6	95.3	113.4	—	18.4	16.1	-2.3
General Foods	12.2	11.6	12.2	106.7	107.0	—	16.2	16.2	±0.0
Beauty	22.9	23.0	22.5	99.3	104.9	—	28.9	29.4	+0.5
Life support	18.7	18.5	18.7	102.2	106.9	—	20.9	22.2	+1.3
Senior Support	1.5	1.5	1.5	100.9	106.5	—	28.2	28.9	+0.7
Other	0.2	0.2	0.1	96.9	103.2	—	29.6	28.8	-0.8
Total	100.0	100.0	100.0	101.2	106.6	28.8	29.2	29.9	+0.7

Sales Trend by Product Group - Japan -

	Composition Ratio			Sales % vs. Budget	Sales % Y o Y	Gross Margin Rate			Gross Margin % vs. Budget
	FY 2017/2 1H	FY 2018/2 1H				FY 2017/2 1H	FY 2018/2 1H		
	Results	Budget	Results			Results	Budget	Results	
Healthcare	7.3	7.3	7.3	97.6	98.8	—	32.4	35.0	+2.6
Wellness support	0.9	0.9	0.8	90.2	91.9	—	26.7	29.6	+2.9
Wellness foods	7.5	8.9	7.9	86.6	103.9	—	15.1	12.8	-2.3
General Foods	54.7	53.3	54.8	100.5	99.2	—	15.7	15.9	+0.2
Beauty	7.6	7.6	7.8	99.6	101.0	—	24.9	25.9	+1.0
Life support	19.7	19.8	19.2	94.7	96.1	—	22.6	23.8	+1.2
Senior Support	0.7	0.7	0.7	98.8	100.7	—	25.5	26.6	+1.1
Other	1.6	1.6	1.6	95.4	96.3	—	11.2	11.2	±0.0
Total	100.0	100.0	100.0	97.7	99.0	19.3	19.0	19.5	+0.5

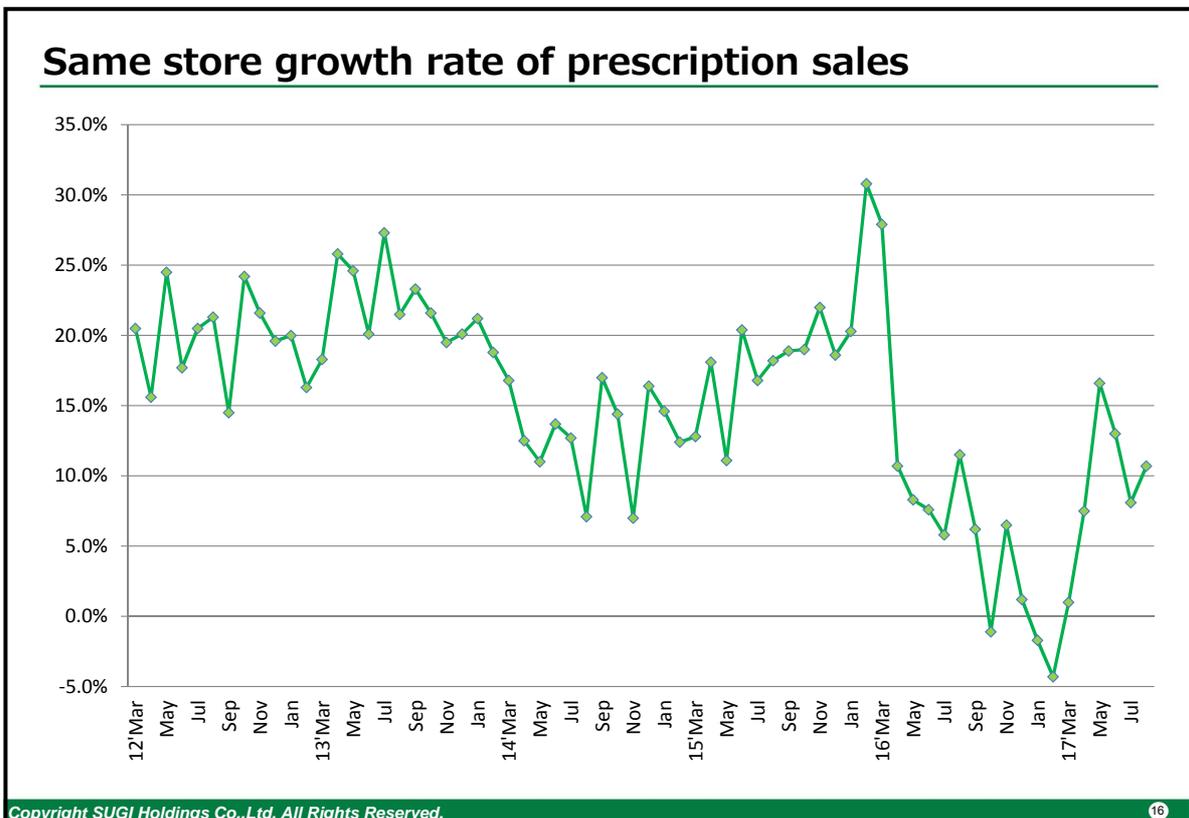
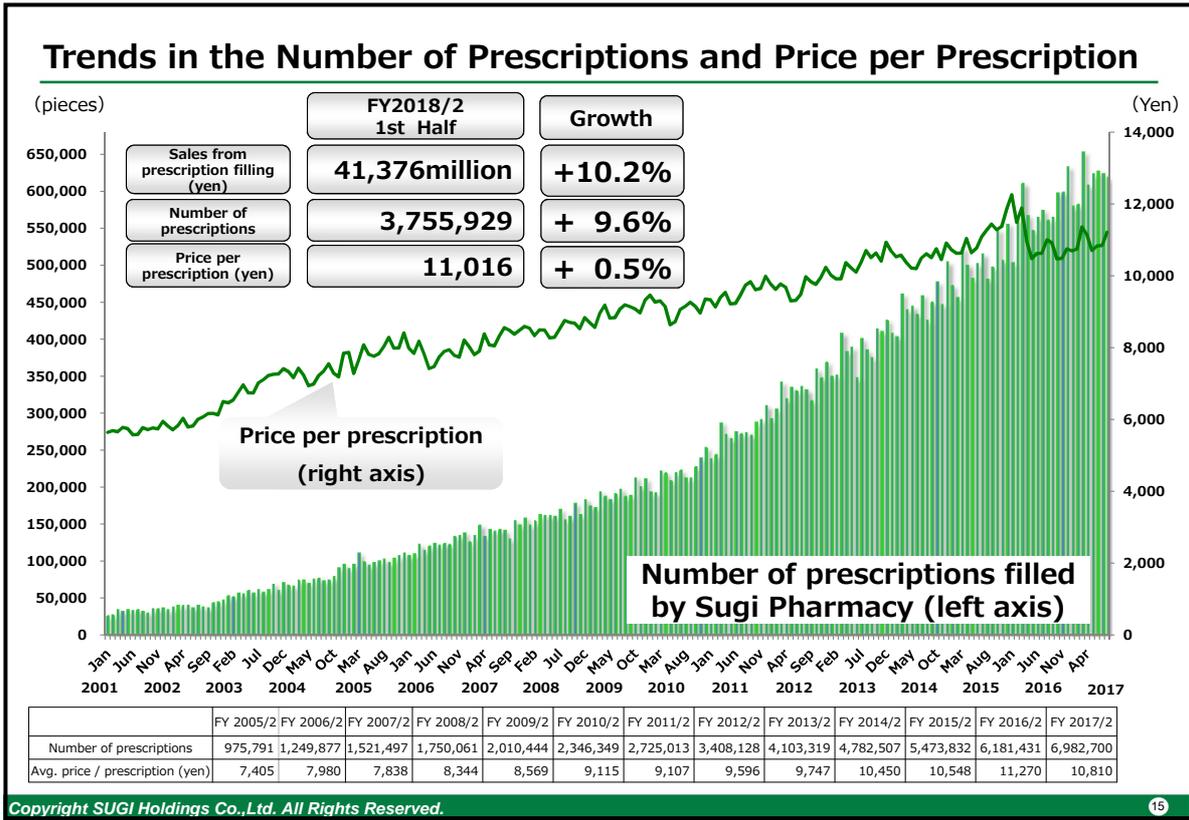
Sales Trend at Existing Stores- Sugi Pharmacy business -

1st Half: Existing store sales growth ratio indicated +1.9%



Medical Business of Sugi Group

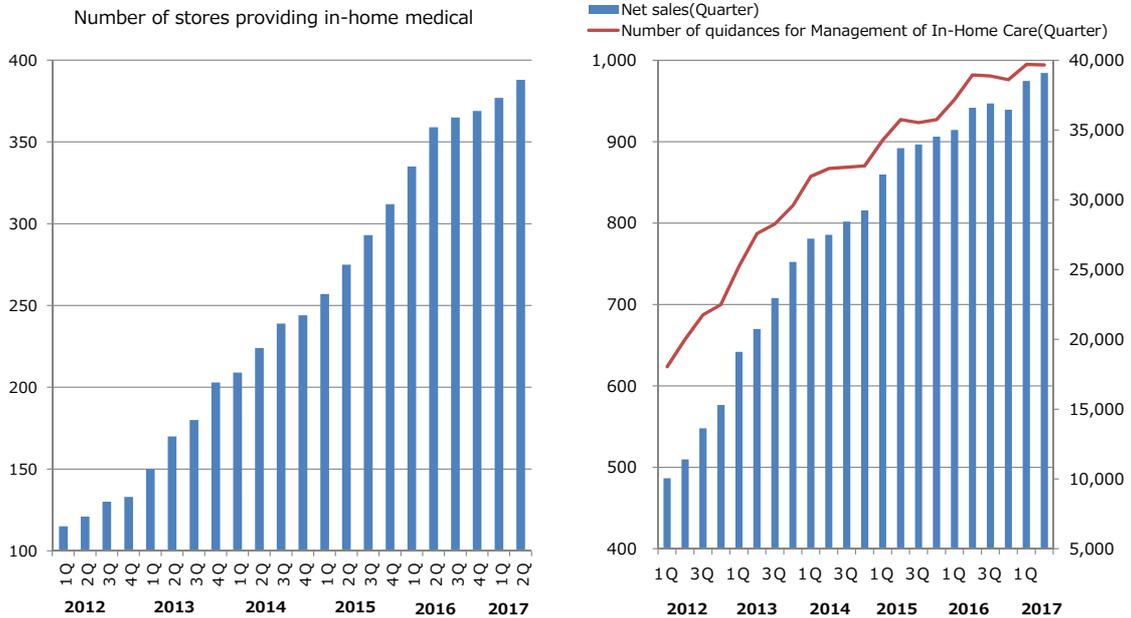
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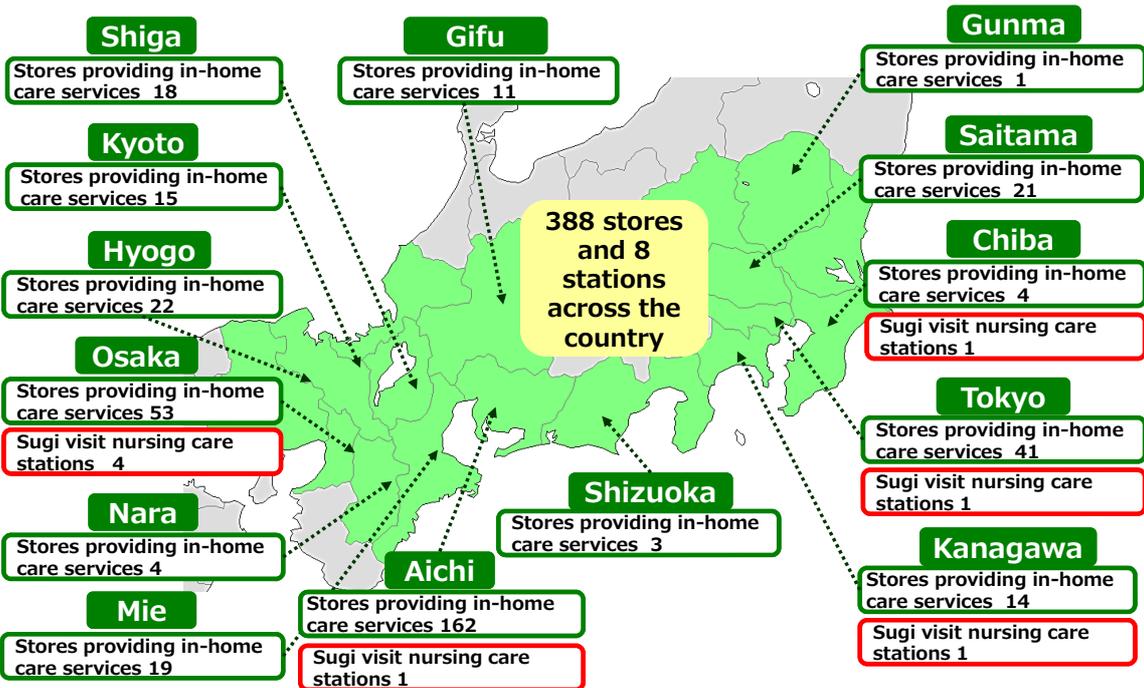
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In-home Medical Care Services – As of Aug. 31, 2017

Sales of in-home medical care: JPY 1,959m (+5.5% Y o Y)



Facilities Providing Comprehensive Medical Services to Local Communities



Medium-term target

Medium-term target (FY2018 to FY2020)

FY2015 to FY2017

Creation of a foundation and an infrastructure

- Build a business infrastructure, such as a main (MD) system and a managerial accounting system
- Build a self-operated NDC and a distribution network of DC and TC at 12 places
- Strengthen employee training and education at our internal college and employment of pharmacists

FY2018 to FY2020

Alliance · M&A strategy

- 1) Aggressively promote a wide range of alliances and M&A from medical care to nursing care

Sales strategy

- 1) Expand prescription filling sales: More frequently approach to medical-related institutions
- 2) Expand home dispensing sales: More frequently approach to medical and nursing-related institutions
- 3) Expand a line of goods and services in the wellness area: Differentiate ourselves from competitors by focusing on specific categories of goods

Improvement of productivity

- 1) Reduce purchase costs: Use our own distribution network
 - 2) Raise the efficiency of store operations: Promote autonomous order placement and utilize senior persons
- (Note) Prescription filling: Mechanize the operation and utilize medical clerks

2015 2016 2017 2018 2019 2020

Strengthen the foundations for sustainable growth

Business with aggressive mind

800.0 billion yen

Growth in Alliance & M&A

540.0 billion yen

Organic growth

Summary of First Half Results for Ending February 28, 2018

Medium-term target figure

<Medium-term target figure>

	Fiscal Year 2017	Fiscal Year 2020 target	
	Planned value	Organic	Alliance / M&A included
Net sales	455.0 billion yen	540.0 billion yen	800.0 billion yen and over
Percentage sales from prescriptions <small>(Note) Composition ratio of Sugi Pharmacy business</small>	22%	25% and over	
Operating profit ratio (%)	24.0 billion yen (5.3%)	6.0% and over	
Payout ratio	20.2%	25% and over	

SUGI Holdings

The forward-looking statements regarding business and other forecasts are Sugi Holdings management's decisions based on information currently available at the time the report was created, and contain risks and uncertainties.

We recommend that readers do not make their decisions solely relying on these forecasts, and readers are reminded that actual results may differ materially from these forecasts due to various circumstances beyond management's control.