

# Financial Results

## 1st Half - FY Ending February 28, 2019

### Supplementary Information

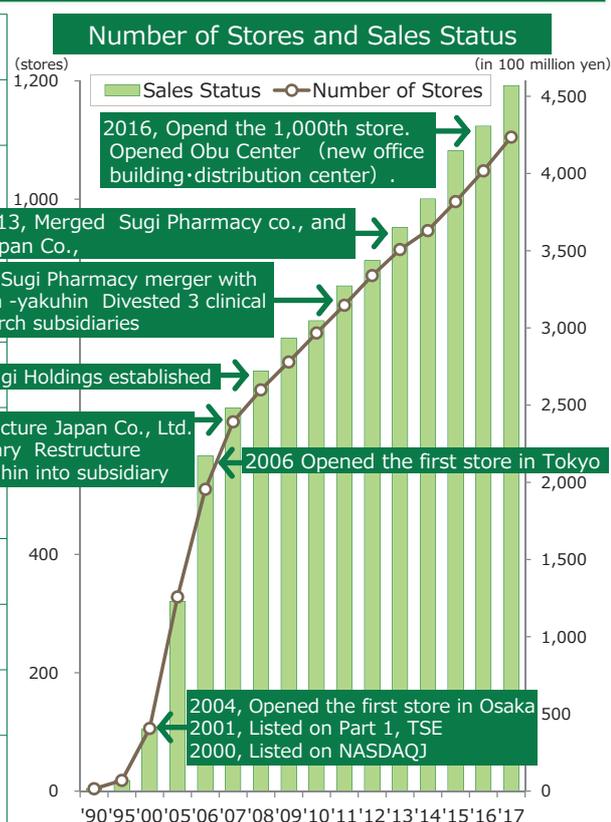
Securities ID Code: 7649, Part 1 of TSE and NSE

SUGI Holdings

October 10, 2018

## 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	1,150 (as of Aug, 2018)
Number of employees	5,777 (full-time) (as of Aug, 2018)
Net sales	JPY4,57,047m (FY ended Feb. 28, 2018- consolidated)
Operating Profit	JPY24,760m (FY ended Feb. 28, 2018- consolidated)
Description of business	Management of subsidiaries engaging in businesses including pharmacy business, drug store business, and in-home nursing care business



# Overview of Sugi Group



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# Store Openings and Closings

\* Please note that "FY2018/2" and "FY 2019/2" in this presentation refers to the fiscal year ended in February 2018, and the fiscal year ended February 2019, respectively. The same notation is used in other pages.

**1st Half : Opened 53 stores, closed 8 stores, increased 45 stores**

Nos. of stores by region	FY2018/2 Full Year	FY2019/2 1st Half			Forecast after September 2018			FY 2019/2 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	271	16	4	283	14	3	30	7	+23	294	
Chubu Region	441	13	3	451	21	6	34	9	+25	466	
Kansai Region	393	24	1	416	12	3	36	4	+32	425	
<b>Total</b>	<b>1,105</b>	<b>53</b>	<b>8</b>	<b>1,150</b>	<b>47</b>	<b>12</b>	<b>100</b>	<b>20</b>	<b>+80</b>	<b>1,185</b>	

Nos. of stores by company	FY2018/2 Full Year	FY2019/2 1st Half				Forecast after September 2018				FY 2019/2 Full Year forecast			
	As of the Term-End	Store Openings	Store Closings	Store format conversion	As of the Term-End	Store Openings	Store Closings	Store format conversion	Store Openings	Store Closings	Store format conversion	Change	As of the Term-End
Sugi Pharmacy	965	53	6	+2	1,014	46	12	+10	99	18	+12	+93	1,058
Japan	132	0	2	-2	128	0	0	-10	0	2	-12	-14	118
Visit Nursing Care ST	8	0	0	0	8	1	0	0	1	0	0	+1	9
<b>Total</b>	<b>1,105</b>	<b>53</b>	<b>8</b>	<b>0</b>	<b>1,150</b>	<b>47</b>	<b>12</b>	<b>0</b>	<b>100</b>	<b>20</b>	<b>0</b>	<b>+80</b>	<b>1,185</b>

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# Financial Highlights

## 1st Half - FY Ending February 28, 2019

### - Consolidated -

## 1st Half Financial Highlight - Consolidated -

### 1st Half : Net sales (JPY243.9 billion) and Operating profit (JPY12.8 billion)

	FY Ended 2018/2 1H (March to August)		FY Ending 2019/2 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
<b>Net Sales</b>	<b>229,499</b>	<b>100.0</b>	<b>243,940</b>	<b>100.0</b>	<b>101.2</b>	<b>+2,940</b>	<b>106.3</b>
Sugi Pharmacy business	189,997	82.8	208,310	85.4	101.6	+3,210	109.6
Japan business	38,285	16.7	34,451	14.1	100.1	+51	90.0
Others	1,217	0.5	1,179	0.5	78.6	-321	96.9
<b>Gross Profit</b>	<b>65,151</b>	<b>28.4</b>	<b>70,029</b>	<b>28.7</b>	<b>99.3</b>	<b>-471</b>	<b>107.5</b>
Sugi Pharmacy business	56,780	29.9	62,432	30.0	99.9	-68	110.0
Japan business	7,458	19.5	6,793	19.7	99.9	-7	91.1
Others	913	75.0	804	68.2	67.0	-396	88.1
<b>SG&amp;A Expenses</b>	<b>52,586</b>	<b>22.9</b>	<b>57,158</b>	<b>23.4</b>	<b>99.4</b>	<b>-342</b>	<b>108.7</b>
<b>Operating Income</b>	<b>12,565</b>	<b>5.5</b>	<b>12,871</b>	<b>5.3</b>	<b>99.0</b>	<b>-129</b>	<b>102.4</b>
Non-operating Income	1,176	0.5	1,376	0.6	125.1	+276	117.0
Non-Operating Expenses	662	0.3	755	0.3	125.8	+155	114.0
<b>Ordinary Income</b>	<b>13,078</b>	<b>5.7</b>	<b>13,492</b>	<b>5.5</b>	<b>99.9</b>	<b>-8</b>	<b>103.2</b>
Extraordinary Income	0	-	0	-	-	-	-
Extraordinary Losses	129	0.1	63	0.0	15.8	-337	48.8
<b>Net Income before Income Taxes</b>	<b>12,949</b>	<b>5.6</b>	<b>13,428</b>	<b>5.5</b>	<b>102.5</b>	<b>+328</b>	<b>103.7</b>
Income Taxes	4,269	1.9	4,478	1.8	104.1	+178	104.9
<b>Net Income</b>	<b>8,679</b>	<b>3.8</b>	<b>8,950</b>	<b>3.7</b>	<b>101.7</b>	<b>+150</b>	<b>103.1</b>

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

## 1st Half SG&A Expenses Status - Consolidated -

1st Half : Total SG&A expenses increased up 8.7% year on year

	FY Ended 2018/2 1H (March to August)		FY Ending 2019/2 1H (March to August)		Y o Y
	Results (in million yen)	Ratio to Sales (%)	Results (in million yen)	Ratio to Sales (%)	
Net Sales	229,499	100.0	243,940	100.0	106.3
Total Selling Expenses	4,118	1.8	3,787	1.6	92.0
Advertising Expenses	2,460	1.1	2,325	1.0	94.5
Premium Expenses	1,658	0.7	1,462	0.6	88.2
Personnel Expenses	26,308	11.5	29,233	12.0	111.1
Total Administrative Expenses	22,160	9.7	24,137	9.9	108.9
Rent Expenses	9,626	4.2	10,526	4.3	109.3
Depreciation Expenses	3,042	1.3	3,452	1.4	113.5
Utilities Expenses	2,108	0.9	1,908	0.8	90.5
Supplies Expenses	1,353	0.6	1,815	0.7	134.1
Tax and Public Charges	1,370	0.6	1,499	0.6	109.4
Commission Paid	1,752	0.8	2,078	0.9	118.6
Others	2,905	1.3	2,856	1.2	98.3
<b>Total SG&amp;A Expenses</b>	<b>52,586</b>	<b>22.9</b>	<b>57,158</b>	<b>23.4</b>	<b>108.7</b>

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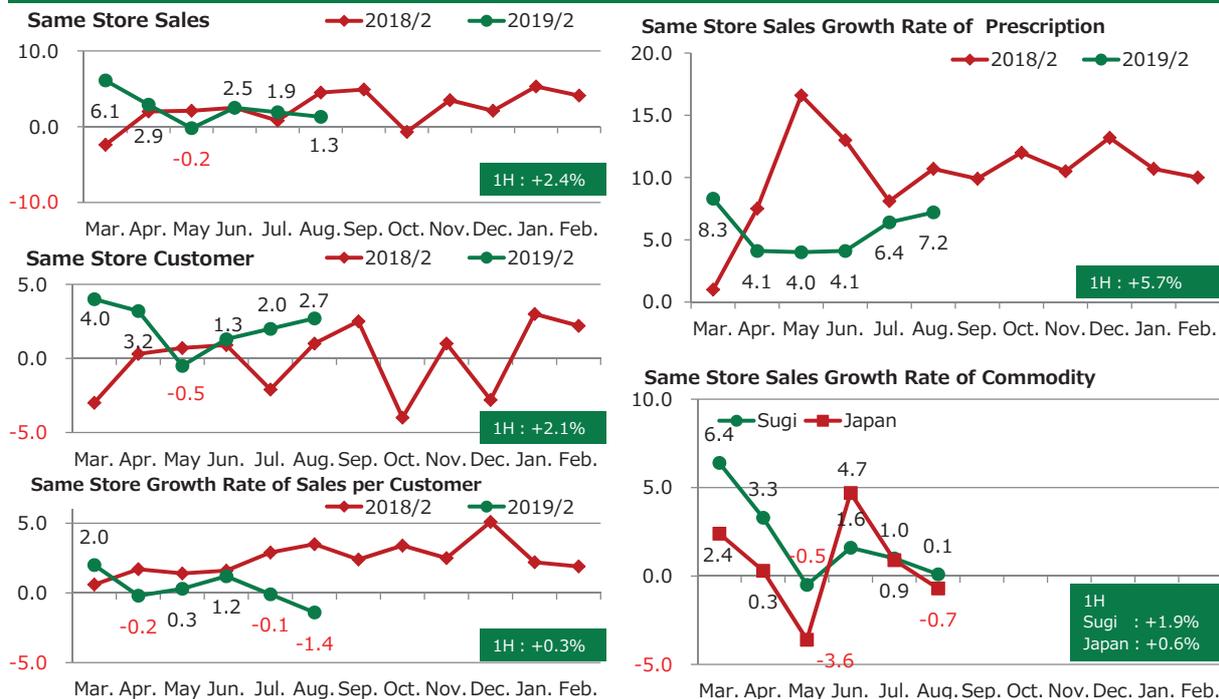
## Sales Trend 1st Half - FY Ended February 28, 2019

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## Sales growth rate of existing stores - Sugi Group -

1st Half :Same store sales growth rate showed +2.4% (prescription;+5.7%, Sugi's commodity ;+1.9%, Japan's commodity;+0.6%), same store customer growth rate indicated +2.1%.



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## Sales Trend by Product Group - Sugi -

	Composition Ratio				Sales % vs. Budget	Sales % Y o Y	Gross Margin Rate			Gross Margin % vs. Budget	Gross Margin % vs. Y o Y
	FY 2018/2 1H		FY 2019/2 1H				FY 2018/2 1H	FY 2019/2 1H			
	Results	Budget	Results	Results			Budget	Results			
Prescription	21.8	21.6	21.4	100.5	107.6	37.7	37.9	37.2	-0.7	-0.5	
Healthcare	18.0	18.0	17.7	99.8	108.0	39.7	40.3	40.0	-0.3	+0.3	
Wellness support	2.6	2.6	2.8	108.1	119.2	34.8	36.5	37.0	+0.5	+2.2	
Wellness foods	2.6	3.1	3.6	118.1	150.9	16.1	17.0	17.6	+0.6	+1.5	
General Foods	12.2	12.2	12.7	105.6	114.0	16.2	16.8	15.8	-1.0	-0.4	
Beauty	22.5	22.2	22.0	100.7	107.3	29.4	30.2	30.2	±0.0	+0.8	
Life support	18.7	18.6	18.2	99.0	106.5	22.2	23.1	22.8	-0.3	+0.6	
Senior Support	1.5	1.5	1.5	102.4	110.6	28.9	30.1	29.6	-0.5	+0.7	
Other	0.1	0.1	0.1	120.5	91.0	28.8	30.0	30.0	±0.0	+1.2	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>101.6</b>	<b>109.6</b>	<b>29.9</b>	<b>30.5</b>	<b>30.0</b>	<b>-0.5</b>	<b>+0.1</b>	

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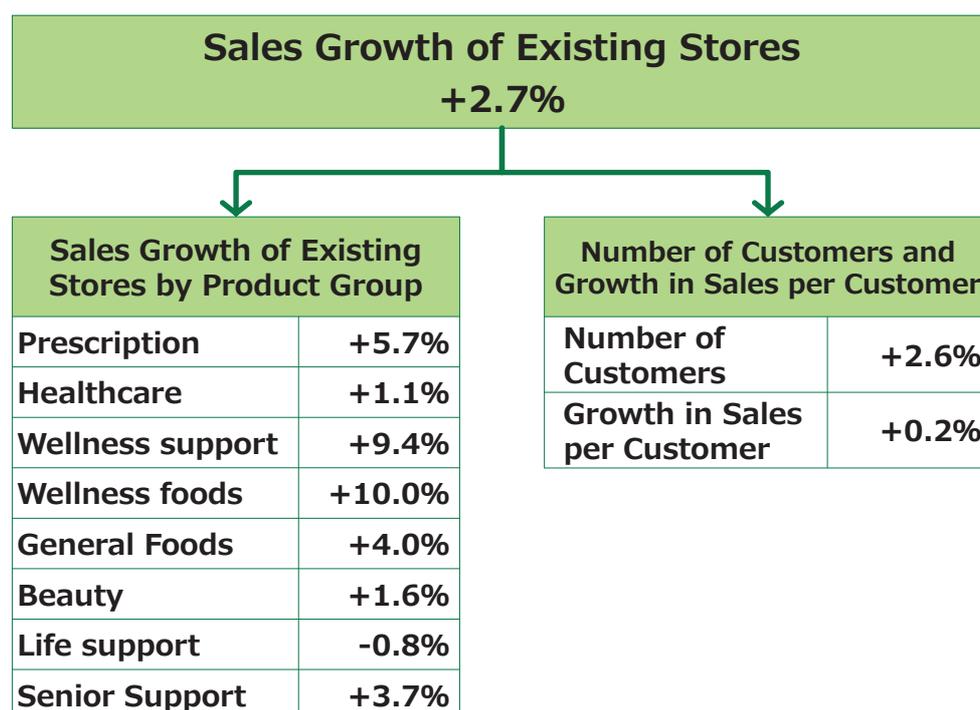
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## Sales Trend by Product Group - Japan -

	Composition Ratio			Sales % vs. Budget	Sales % Y o Y	Gross Margin Rate			Gross Margin % vs. Budget	Gross Margin % vs. Y o Y
	FY 2018/2 1H	FY 2019/2 1H				FY 2018/2 1H	FY 2019/2 1H			
	Results	Budget	Results			Results	Budget	Results		
Healthcare	7.3	7.3	7.3	100.4	90.3	35.0	35.7	35.8	+0.1	+0.8
Wellness support	0.8	0.9	0.9	96.7	96.4	29.6	31.7	33.4	+1.7	+3.8
Wellness foods	7.9	8.5	9.0	106.1	103.3	12.8	13.3	13.5	+0.2	+0.7
General Foods	54.8	53.9	53.9	100.2	88.6	15.9	16.1	15.7	-0.4	-0.2
Beauty	7.8	8.0	7.7	97.1	89.6	25.9	25.3	27.3	+2.0	+1.4
Life support	19.2	19.0	18.6	98.1	87.4	23.8	24.4	24.6	+0.2	+0.8
Senior Support	0.7	0.7	0.7	94.4	92.6	26.6	29.1	27.4	-1.7	+0.8
Other	1.6	1.6	1.8	108.3	100.7	11.2	12.4	11.6	-0.8	+0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.1</b>	<b>90.0</b>	<b>19.5</b>	<b>19.8</b>	<b>19.7</b>	<b>-0.1</b>	<b>+0.2</b>

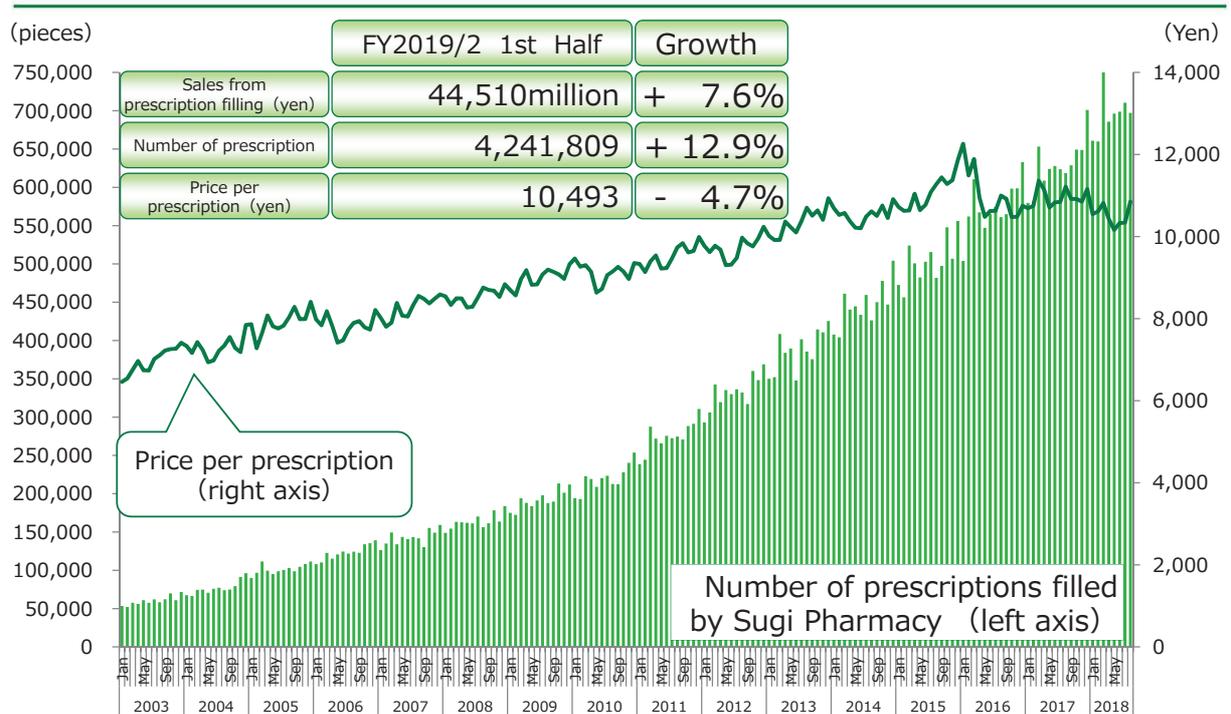
## Sales Trend at Existing Stores- Sugi Pharmacy business -

1st Half :Existing store sales growth ratio indicated +2.7%



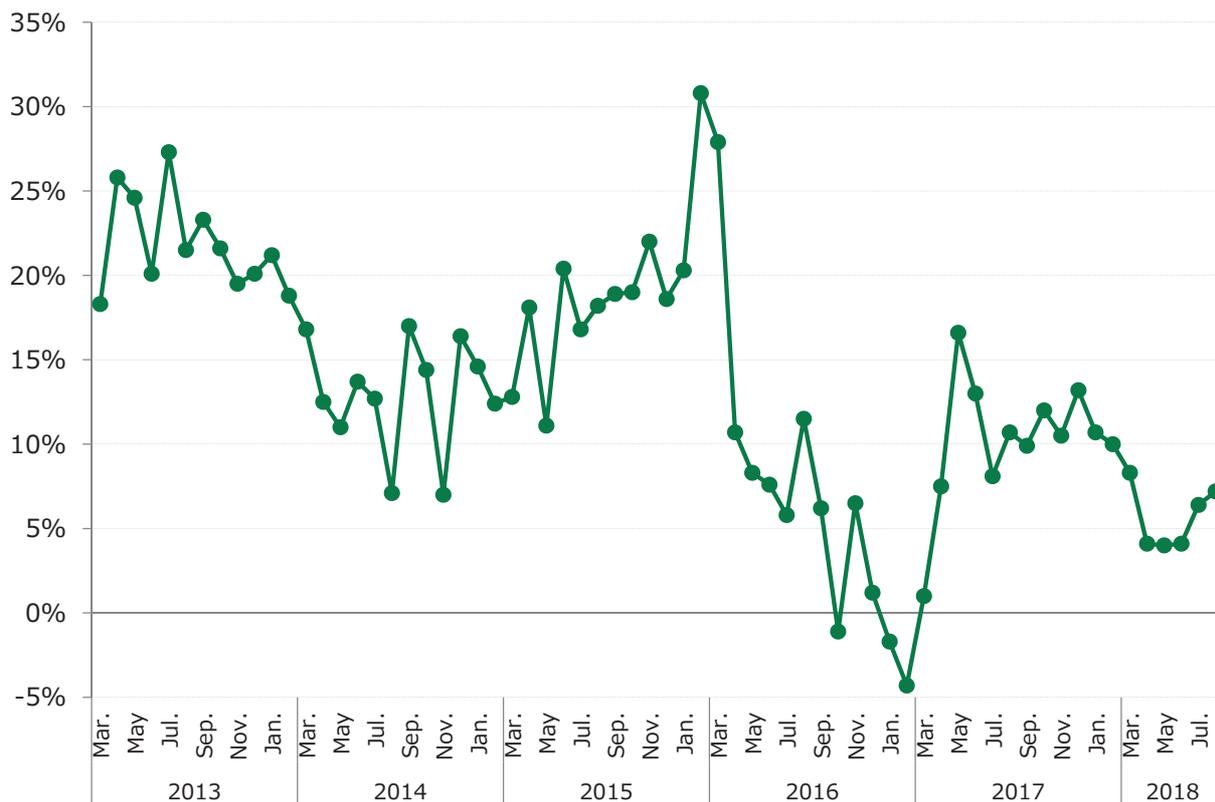
# Medical Business of Sugi Group

## Trends in the Number of Prescriptions and Price per Prescription



	FY 2006/2	FY 2007/2	FY 2008/2	FY 2009/2	FY 2010/2	FY 2011/2	FY 2012/2	FY 2013/2	FY 2014/2	FY 2015/2	FY 2016/2	FY 2017/2	FY 2018/2
Number of prescriptions	1,249,877	1,521,497	1,750,061	2,010,444	2,346,349	2,725,013	3,408,128	4,103,319	4,782,507	5,473,832	6,181,431	6,982,700	7,704,463
Avg. price / prescription (yen)	7,980	7,838	8,344	8,569	9,115	9,107	9,596	9,747	10,450	10,548	11,270	10,810	10,917

## Same store growth rate of prescription sales

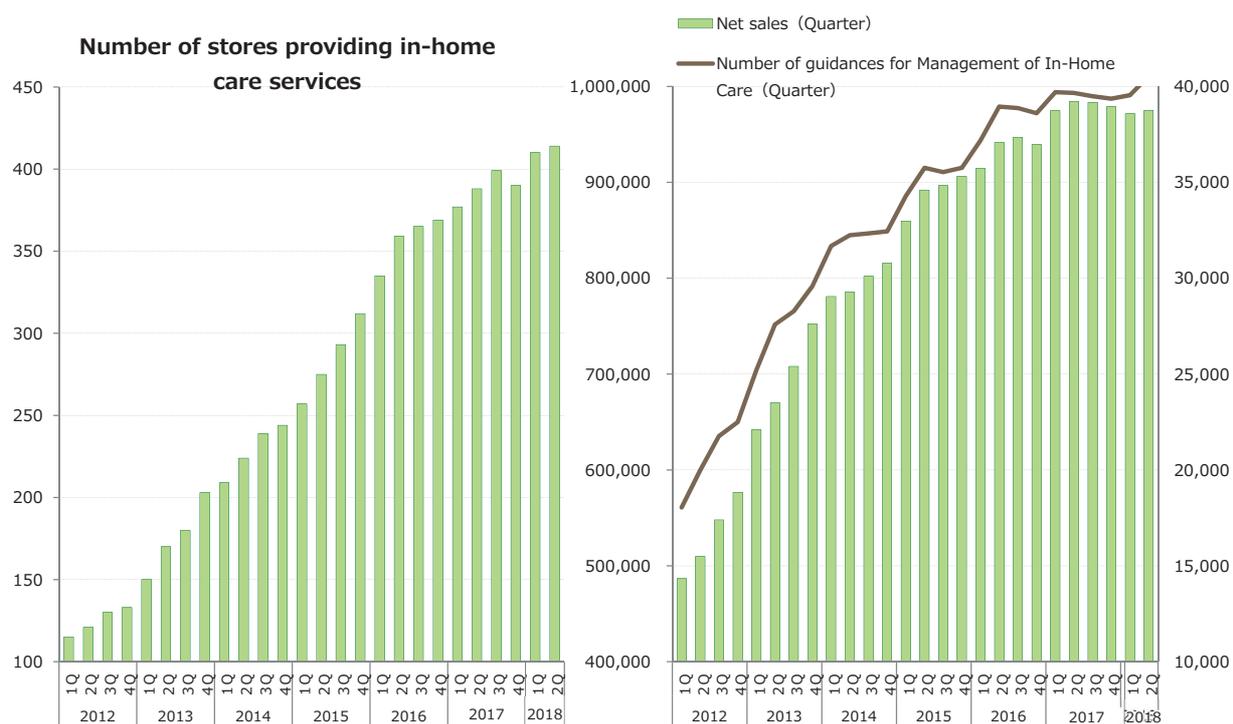


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## In-home Medical Care Services – As of Aug. 31, 2018

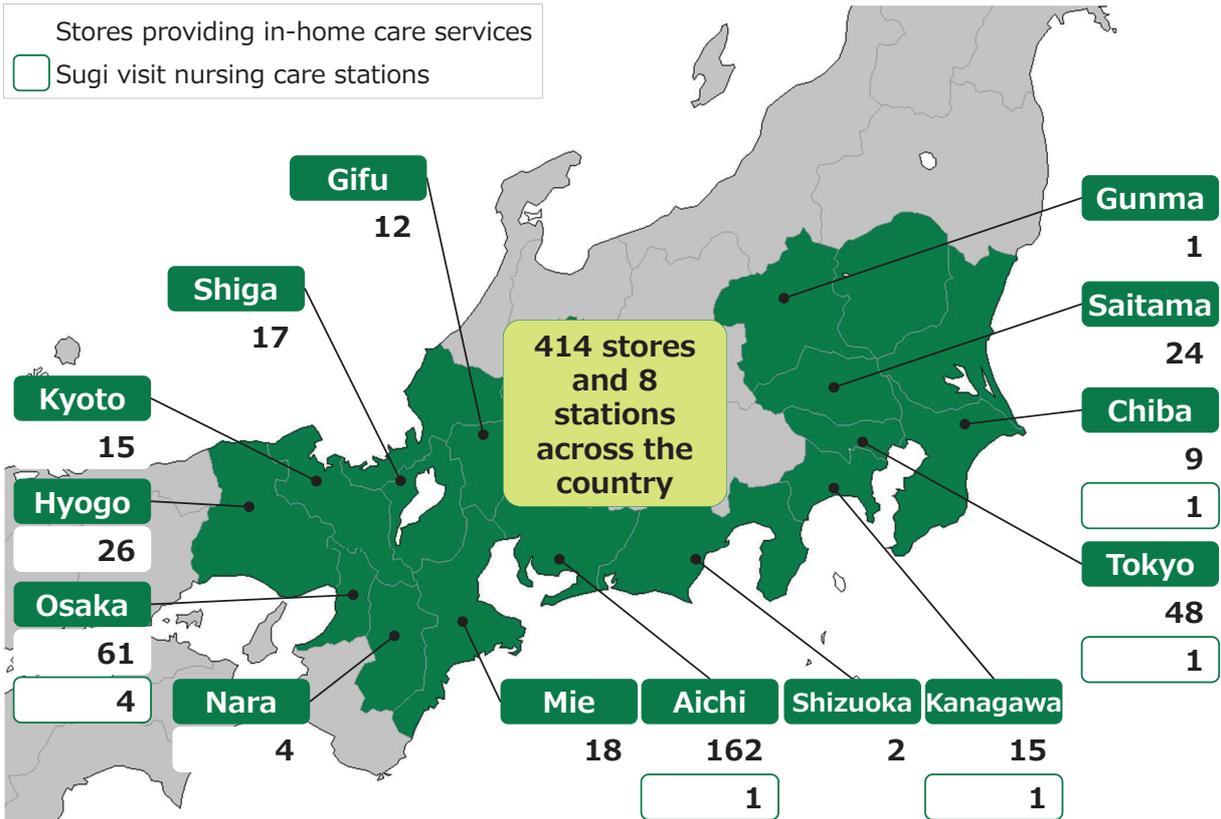
in-home medical care: JPY 1,946m (-0.6% Y o Y)



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## Facilities Providing Comprehensive Medical Services to Local Communities



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## Progress of the medium-term target

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## 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

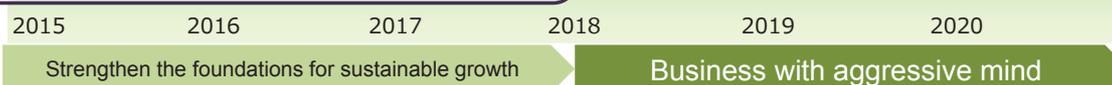
- 1) Aggressively promote a wide range of alliances and M&A from medical care to nursing care

#### 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

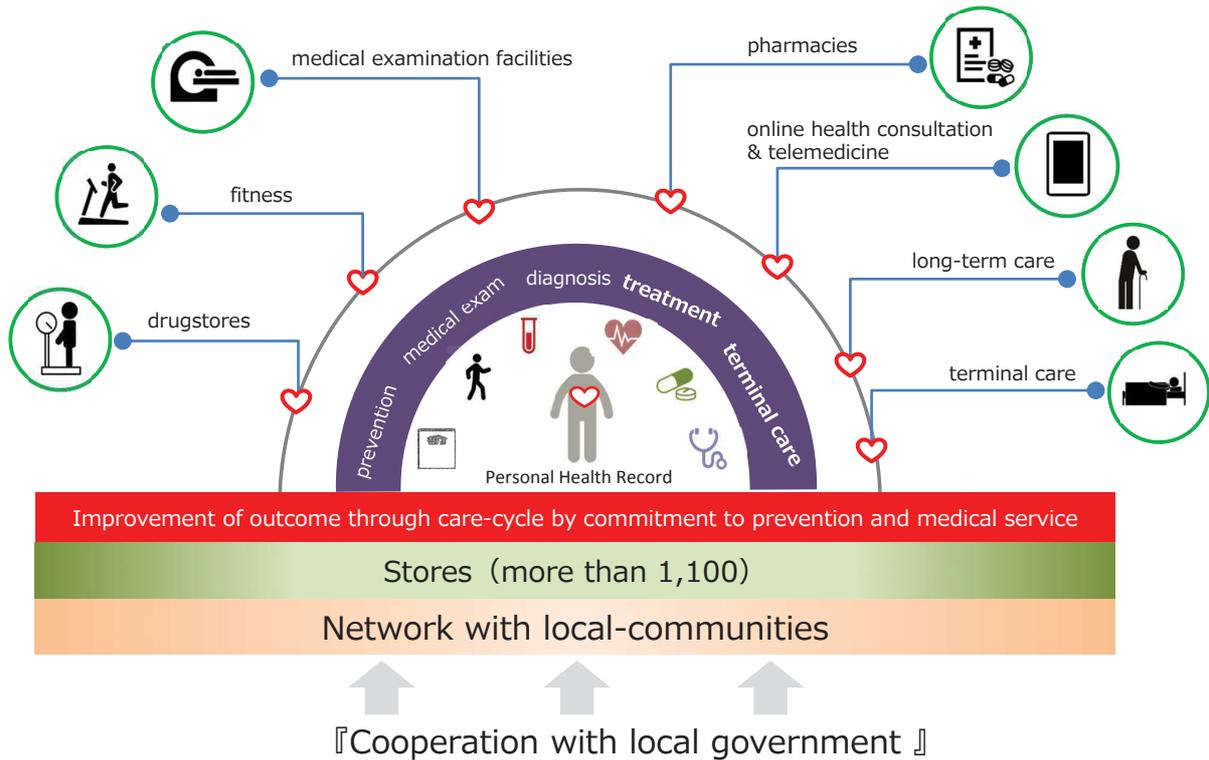


## Medium-term target figure

### FY 2020 target: Net sales JPY540.0 billion, Operating profit JPY32.5 billion

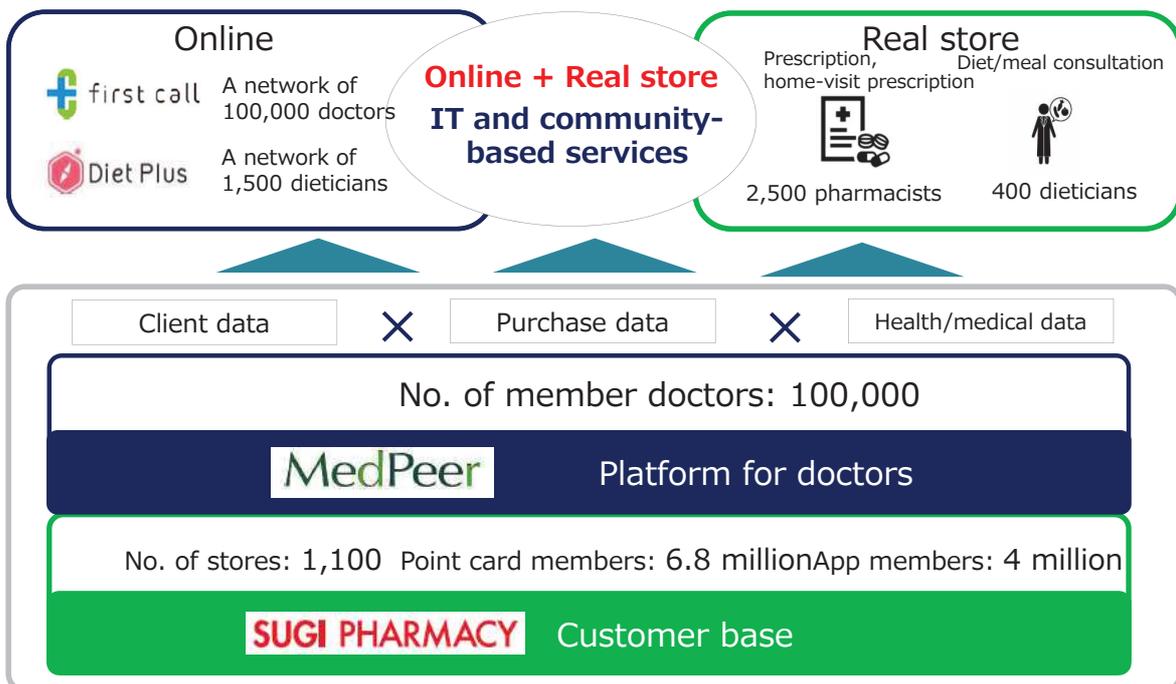
(million yen · %)	FY Ended 2019/2			FY Ended 2020/2			FY Ended 2021/2		
	Forecasts	Ratio	Y o Y	targets	Ratio	Y o Y	targets	Ratio	Y o Y
Net Sales	480,000	100.0	105.0	510,000	100.0	106.3	540,000	100.0	105.9
Gross Margin	141,000	29.4	107.2	151,000	29.6	107.1	160,500	29.7	106.3
SG&A	115,500	24.1	108.1	122,500	24.0	106.1	128,000	23.7	104.5
Operating Profit	25,500	5.3	103.0	28,500	5.6	111.8	32,500	6.0	114.0
Recurring Profit	26,500	5.5	102.3	29,500	5.8	111.3	33,500	6.2	113.6
Net Income	16,700	3.5	101.8	18,800	3.7	112.6	21,400	4.0	113.8

## We own the last mile of healthcare services through our patients touch-points



## Business alliance with MedPeer

■ With "IT and Community-base healthcare" as the core value, create a new healthcare eco system by using health, medical and nursing care data.



## Progress of the Joint Businesses with MedPeer

### 1) Self-care support platform business

Conduct one-to-one marketing to drive customers to stores, and provide online and offline self-care services (medical and nutrition counseling, delivery of special dietary-restriction meals, diet improvement programs, etc.), based on the app capable of easily keeping records of foods and exercises.

### 2) Clinic opening support platform business

Provide online support services for doctors planning to open their own clinics, using MedPeer's membership base of 100,000 doctors.

### 3) Pharmacist career support business

Provide education and career support services for pharmacists working in drugstores/pharmacies, by building a community where pharmacists who will lead the next generation learn from each other.

### 4) Medical big data business

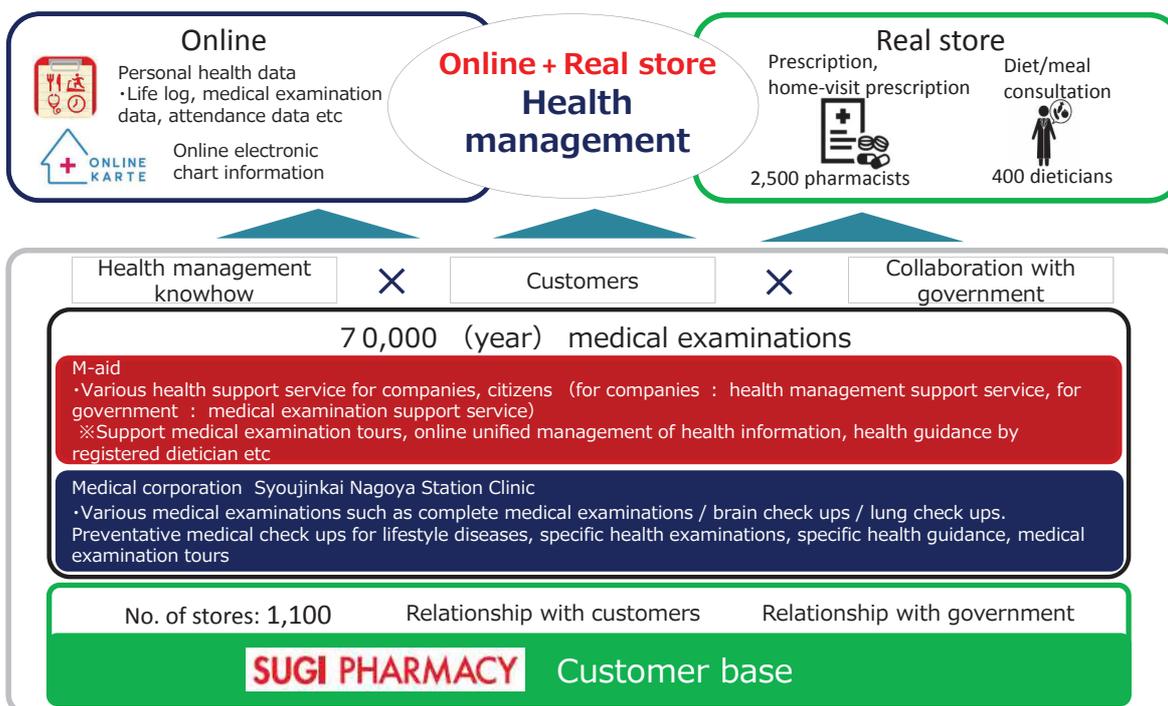
By making use of the resources of Sugi Pharmacy and MedPeer, provide various types of healthcare services for companies and marketing support services for pharmaceutical companies.

### 5) Home healthcare support platform business

Provide patient attraction support services for home healthcare providers and support services for hospitals.

## Business alliance with M-aid

■ Companies are considering health management of employees from a management perspective and are pursuing "health management", that strategically engages in the health investment of employees. Local governments are also pursuing early detection and prevention of increase in severity of diseases.



## Progress of the Joint Businesses with M-aid

### 1) Health management support services

Provide companies with online and offline integrated services by doctors, pharmacists and nationally certified senior nutritionists to help manage their employees' health. Such services range from medical examination to prevention of onset/aggravation of diseases and improvement of lifestyle habits.

### 2) Mobile medical examination services

Provide, in cooperation with medical examination clinics, mobile cancer screening/special health checkups services (using Sugi Pharmacy stores), combined with special health guidance by our nationally certified senior nutritionists.

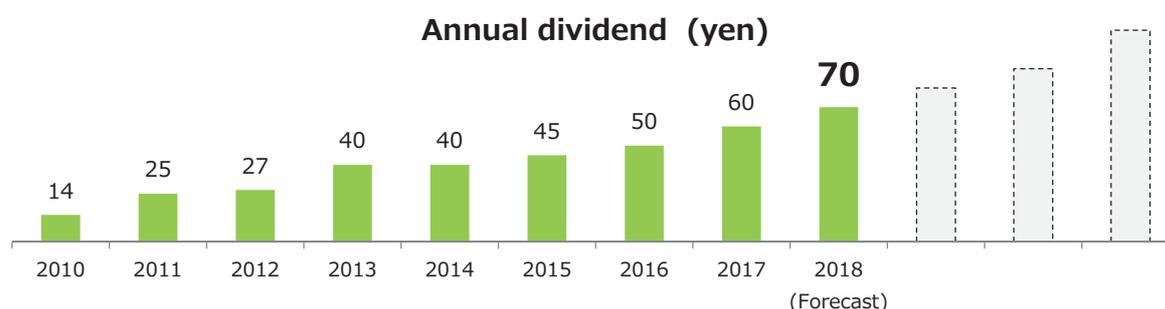
### 3) Support services for medical examination facilities

Toward building a network of medical examination facilities, deploy cloud-type medical examination system to other medical examination facilities.

## Medium-term target return to stockholders

With the aim of improving shareholder return and capital efficiency,

### 1. Payout ratio will be gradually raised to 30.0%.



### 2. Acquisition of treasury stocks was decided

1,500,000 shares & 10,000,000,000 yen (upper limit) .

⇒Completion of the Acquisition of Treasury Stock

(Apr. 23, 2018 to Sept. 4, 2018) .

(1) Total number of shares acquired 1,500,000 shares.

(2) Total acquisition cost 9,248,500,975 yen.

# 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.