

# Financial Results

## Full Year Results FY Ending February 29, 2020

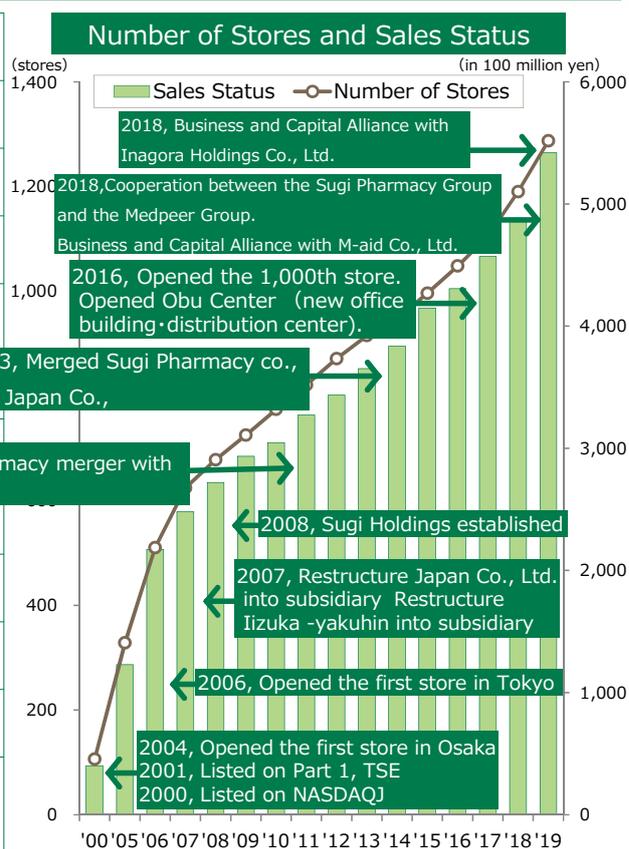
### Supplementary Information

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

SUGI Holdings  
April 8, 2020

## 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	1,287 (As of the end of Feb, 2020)
Number of employees	6,182 (full-time) (As of the end of Feb, 2020)
Net sales	JPY541,964m (FY ended Feb. 29, 2020- consolidated)
Operating Profit	JPY29,762m (FY ended Feb. 29, 2020- 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



## Store Openings and Closings Full Year – FY Ended February 29, 2020

# Store Openings and Closings

\* Please note that "FY2019/2" and "FY 2020/2" in this presentation refers to the fiscal year ended in February 2019, and the fiscal year ended February 2020, respectively. The same notation is used in other pages.

**Full Year : Opened 116 stores, closed 20 stores, increased 96 stores**

Nos. of stores by region	FY2019/2 Full Year	FY 2020/2 1H			FY 2020/2 2H			FY 2020/2 Full Year				
	As of the Term-End	Store Openings	Store Closings	M&A	Store Openings	Store Closings	M&A	Store Openings	Store Closings	M&A	Change	As of the Term-End
Kanto Region	298	29	0	0	21	5	1	50	5	1	+46	344
Chubu Region	456	9	1	0	20	5	0	29	6	0	+23	479
Kansai Region	429	12	2	0	19	7	0	31	9	0	+22	451
Hokuriku Region	7	0	0	0	6	0	0	6	0	0	+6	13
<b>Total</b>	<b>1,190</b>	<b>50</b>	<b>3</b>	<b>0</b>	<b>66</b>	<b>17</b>	<b>1</b>	<b>116</b>	<b>20</b>	<b>1</b>	<b>97</b>	<b>1,287</b>

Nos. of stores by region	FY2019/2 Full Year	FY 2020/2 1H			FY 2020/2 2H			FY 2020/2 Full Year				
	As of the Term-End	Store Openings	Store Closings	M&A	Store Openings	Store Closings	M&A	Store Openings	Store Closings	M&A	Change	As of the Term-End
Sugi Pharmacy	1,063	50	1	0	65	14	0	115	15	0	+100	1,163
Japan	118	0	2	0	0	3	0	0	5	0	-5	113
Visit Nursing Care ST	9	0	0	0	1	0	1	1	0	1	+2	11
<b>Total</b>	<b>1,190</b>	<b>50</b>	<b>3</b>	<b>0</b>	<b>66</b>	<b>17</b>	<b>1</b>	<b>116</b>	<b>20</b>	<b>1</b>	<b>+97</b>	<b>1,287</b>

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## Financial Highlights Full Year - FY Ending February 29, 2020 - Consolidated -

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## Full Year Financial Highlight - Consolidated -

### Full Year : Net sales (JPY541.9 billion) and Operating profit (JPY29.7 billion)

	FY Ended 2019/2 Full Year		FY Ended 2020/2 Full Year				
	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>488,464</b>	<b>100.0</b>	<b>541,964</b>	<b>100.0</b>	<b>104.2</b>	<b>21,964</b>	<b>111.0</b>
Sugi Pharmacy business	421,118	86.2	479,425	88.5	104.4	20,425	113.8
Japan business	64,789	13.3	59,412	11.0	101.9	1,112	91.7
Others	2,557	0.5	3,128	0.6	115.8	427	122.3
<b>Gross Profit</b>	<b>142,300</b>	<b>29.1</b>	<b>162,182</b>	<b>29.9</b>	<b>106.7</b>	<b>10,182</b>	<b>114.0</b>
Sugi Pharmacy business	127,503	30.3	147,596	30.8	106.6	9,096	115.8
Japan business	12,945	20.0	12,189	20.5	106.0	689	94.2
Others	1,852	72.4	2,397	76.6	119.8	397	129.5
<b>SG&amp;A Expenses</b>	<b>116,483</b>	<b>23.8</b>	<b>132,420</b>	<b>24.4</b>	<b>106.8</b>	<b>8,420</b>	<b>113.7</b>
<b>Operating Income</b>	<b>25,817</b>	<b>5.3</b>	<b>29,762</b>	<b>5.5</b>	<b>106.3</b>	<b>1,762</b>	<b>115.3</b>
Non-operating Income	3,050	0.6	3,304	0.6	137.7	904	108.3
Non-Operating Expenses	1,630	0.3	1,592	0.3	113.8	192	97.7
<b>Ordinary Income</b>	<b>27,237</b>	<b>5.6</b>	<b>31,473</b>	<b>5.8</b>	<b>108.5</b>	<b>2,473</b>	<b>115.6</b>
Extraordinary Income	0	-	0	0.0	—	0	—
Extraordinary Losses	1,184	0.2	1,546	0.3	91.0	-154	130.6
<b>Net Income before Income Taxes</b>	<b>26,053</b>	<b>5.3</b>	<b>29,926</b>	<b>5.5</b>	<b>109.6</b>	<b>2,626</b>	<b>114.9</b>
Income Taxes	8,113	1.7	9,144	1.7	101.6	144	112.7
<b>Net Income</b>	<b>17,940</b>	<b>3.7</b>	<b>20,782</b>	<b>3.8</b>	<b>113.6</b>	<b>2,482</b>	<b>115.8</b>

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

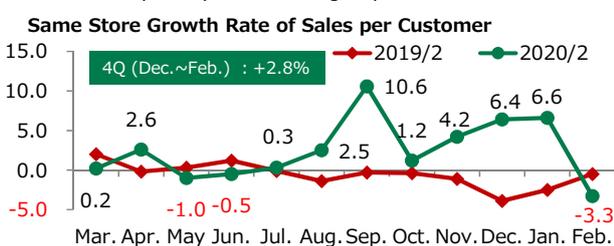
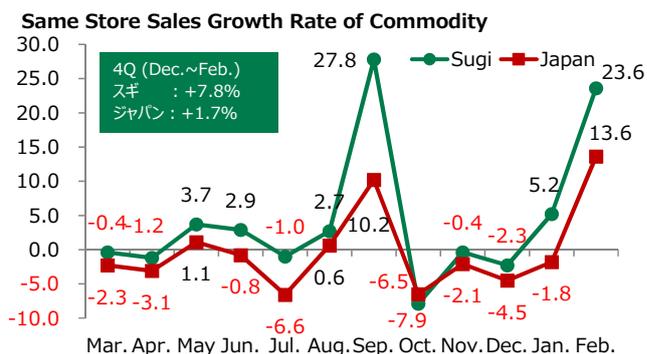
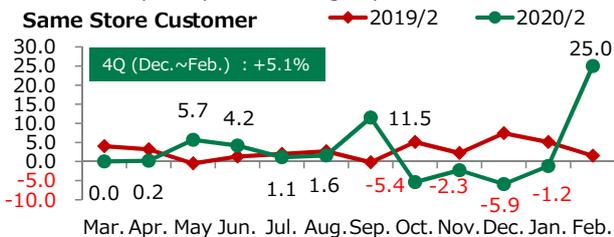
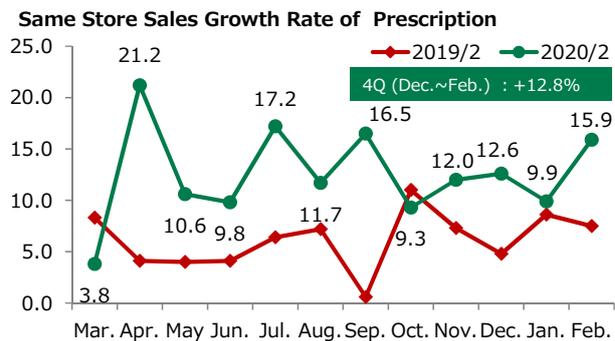
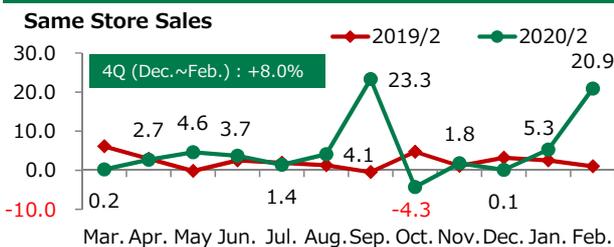
## Full Year SG&A Expenses Status - Consolidated -

### Full Year : Total SG&A expenses increased up 13.7% year on year

	FY Ended 2019/2 Full Year		FY Ended 2020/2 Full Year			
	Results (in million yen)	Ratio to Sales (%)	Results (in million yen)	Ratio to Sales (%)	vs. Budget (in %)	Y o Y
<b>Net Sales</b>	<b>488,464</b>	<b>100.0</b>	<b>541,964</b>	<b>100.0</b>	<b>104.2</b>	<b>111.0</b>
<b>Total Selling Expenses</b>	<b>7,551</b>	<b>1.5</b>	<b>7,690</b>	<b>1.4</b>	<b>92.7</b>	<b>101.8</b>
Advertising Expenses	4,664	1.0	4,850	0.9	93.5	104.0
Premium Expenses	2,886	0.6	2,840	0.5	91.3	98.4
<b>Personnel Expenses</b>	<b>59,086</b>	<b>12.1</b>	<b>66,405</b>	<b>12.3</b>	<b>105.9</b>	<b>112.4</b>
<b>Total Administrative Expenses</b>	<b>49,845</b>	<b>10.2</b>	<b>58,323</b>	<b>10.8</b>	<b>110.0</b>	<b>117.0</b>
Rent Expenses	21,872	4.5	25,926	4.8	110.3	118.5
Depreciation Expenses	7,405	1.5	8,385	1.5	104.7	113.2
Utilities Expenses	3,950	0.8	4,231	0.8	111.3	107.1
Supplies Expenses	3,767	0.8	4,027	0.7	99.4	106.9
Tax and Public Charges	3,098	0.6	3,817	0.7	115.5	123.2
Commission Paid	4,205	0.9	5,410	1.0	125.1	128.6
Others	5,545	1.1	6,523	1.2	108.8	117.6
<b>Total SG&amp;A Expenses</b>	<b>116,483</b>	<b>23.8</b>	<b>132,420</b>	<b>24.4</b>	<b>106.8</b>	<b>113.7</b>

# Sales growth rate of existing stores- Sugi Group -

**Full Year :Same store sales growth rate showed +5.1% (prescription;+12.4%, Sugi's commodity ;+4.1%, Japan's commodity;-0.4%), same store customer growth rate indicated +2.6%.**



# Sales Trend by Product Group - Sugi -

	Composition Ratio				Sales % Y o Y	Gross Profit Margin			Gross Profit % vs. Budget	Gross Profit % vs. Y o Y
	FY 2019/2 Full Year		FY 2020/2 Full Year			FY 2019/2 Full Year	FY 2020/2 Full Year			
	Results	Budget	Results	Budget		Results	Budget	Results		
Prescription	21.6	21.9	22.0	104.8	115.6	37.9	38.5	38.8	+0.3	+0.9
Healthcare	-	21.6	21.4	103.7	-	-	38.9	40.5	+1.6	-
Beauty	-	21.4	20.6	100.8	-	-	30.0	31.0	+1.0	-
Household wares	-	18.5	18.8	106.2	-	-	22.7	23.2	+0.5	-
Foods	-	16.6	17.1	107.9	-	-	16.3	16.4	+0.1	-
Other	-	0.1	0.1	92.9	-	-	30.6	31.8	+1.2	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>104.4</b>	<b>113.8</b>	<b>30.3</b>	<b>30.2</b>	<b>30.8</b>	<b>+0.6</b>	<b>+0.5</b>

Due to changes in the product sales department from this term, results for the previous fiscal year and comparisons with the previous fiscal year are not shown.

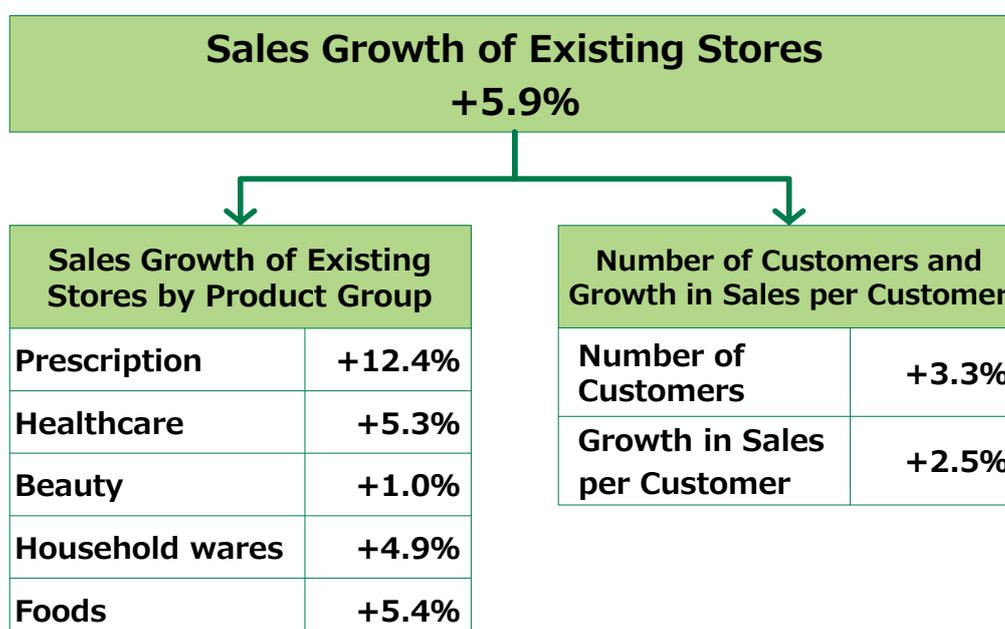
## Sales Trend by Product Group - Japan -

	Composition Ratio			Sales % vs. Budget	Sales % Y o Y	Gross Profit Margin			Gross Profit % vs. Budget	Gross Profit % vs. Y o Y		
	FY 2019/2 Full Year		FY 2020/2 Full Year			FY 2019/2 Full Year		FY 2020/2 Full Year				
	Results	Budget	Results			Budget	Results	Budget			Results	Budget
Healthcare	-	8.8	9.4	108.5	-	-	35.8	37.8	+2.0	-		
Beauty	-	7.4	7.5	104.3	-	-	27.3	28.9	+1.6	-		
Household wares	-	18.8	19.7	106.3	-	-	23.2	23.8	+0.6	-		
Foods	-	63.2	61.5	99.3	-	-	15.8	16.1	+0.3	-		
Other	-	1.8	1.9	105.6	-	-	12.2	11.8	-0.4	-		
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>101.9</b>	<b>91.7</b>	<b>20.0</b>	<b>19.7</b>	<b>20.5</b>	<b>+0.8</b>	<b>+0.5</b>		

Due to changes in the product sales department from this term, results for the previous fiscal year and comparisons with the previous fiscal year are not shown.

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

Full Year : Existing store sales growth ratio indicated +5.9%



## Forecast for the Year Ending Feb.28, 2021

Note: The consolidated financial forecast for the fiscal year ending February 2021, has not yet been determined because it is difficult to reasonably calculate the effects of new pneumonia at this stage.

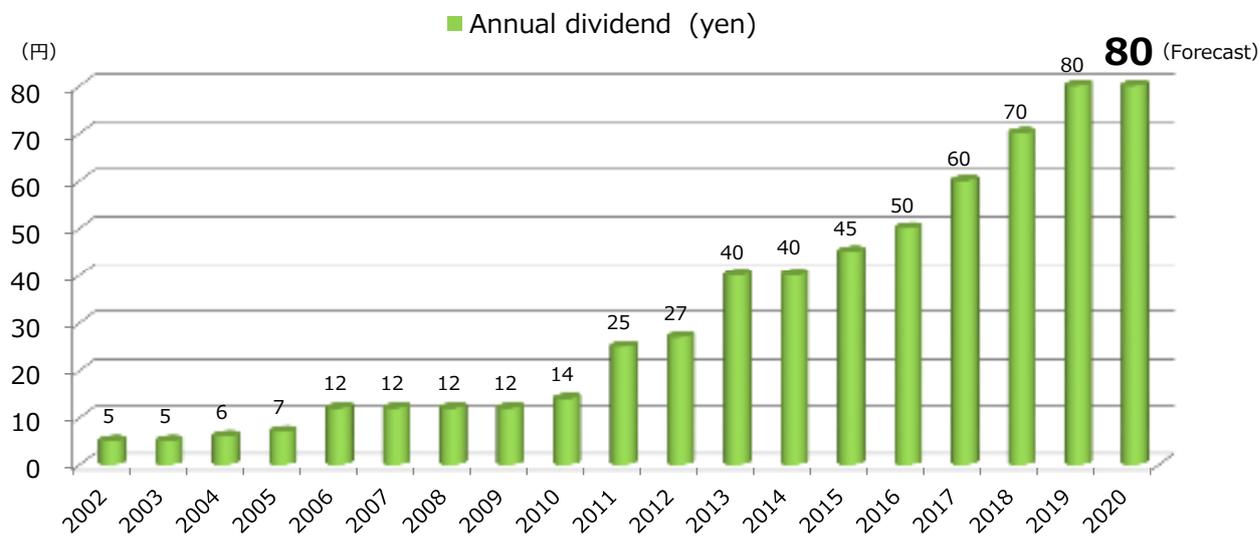
We will announce it as soon as it is possible to disclose our business forecast.

### Preconditions of Forecasts for FY 2021/2

<Store Opening & Closing>				<Investment>	
(Store)	Openings	Closings	Total	(in million yen)	Amount
Sugi Pharmacy	118	20	+90	New stores	20,500
Japan	0			Existing store refurbishment	2,000
Visit Nursing Care ST	2	0	±0	Investment in systems and others	3,500
Group Total	120	20	+100	Group Total	26,000

# Medium-term target return to stockholders

With the aim of improving shareholder return and capital efficiency,  
**Payout ratio will be gradually raised to 30.0%.**



(%)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Payout ratio	18.7	11.1	14.1	14.7	9.8	13.9	13.5	19.8	19.7	19.5	21.2	23.1	24.3	23.8	-

(Forecast)

## Future management policy

# Future management policy

## 1 Management strategy

### Recognition of external environment

- Progress of digitalization, Health conscious, From goods consumption to experience consumption, Growth domain of drugstore market

### Growth strategy

- Strengthening of sales capabilities, Strengthening of customer lifetime value (LTV) management, Expansion of collaboration and co-creation

LTV : Lifetime Value

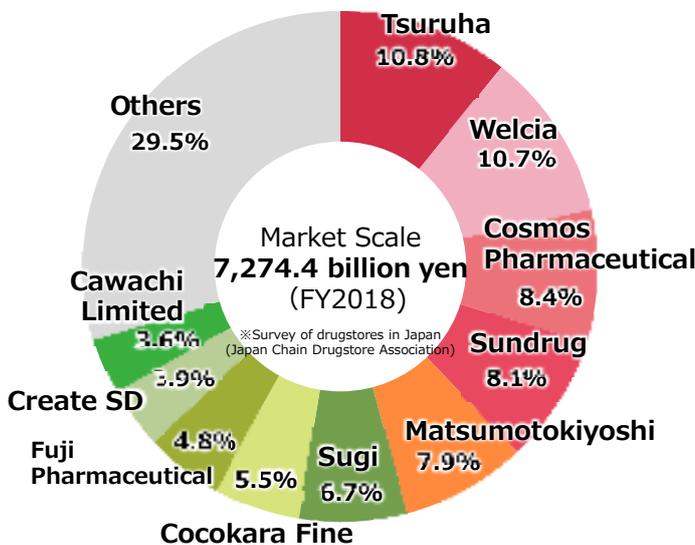
### Building the management foundation

- Promotion of digital transformation of management, Productivity improvement, Improvement of the quality of human resources and organization

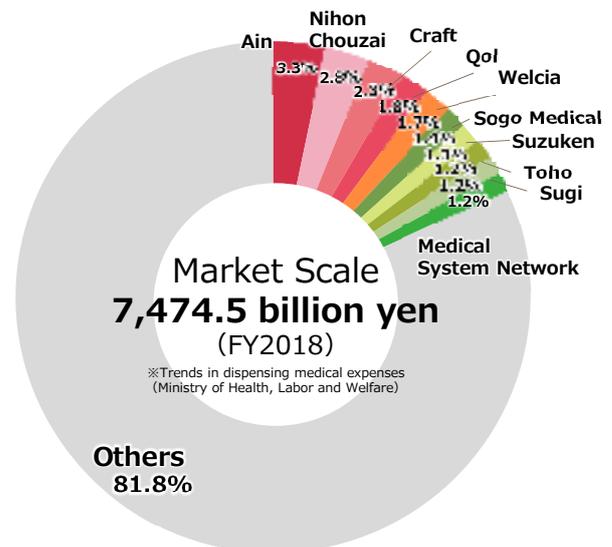
## 2 ESG management initiatives

# Drugstore and drug dispensing pharmacy industry

■ Market share of top 10 drugstores

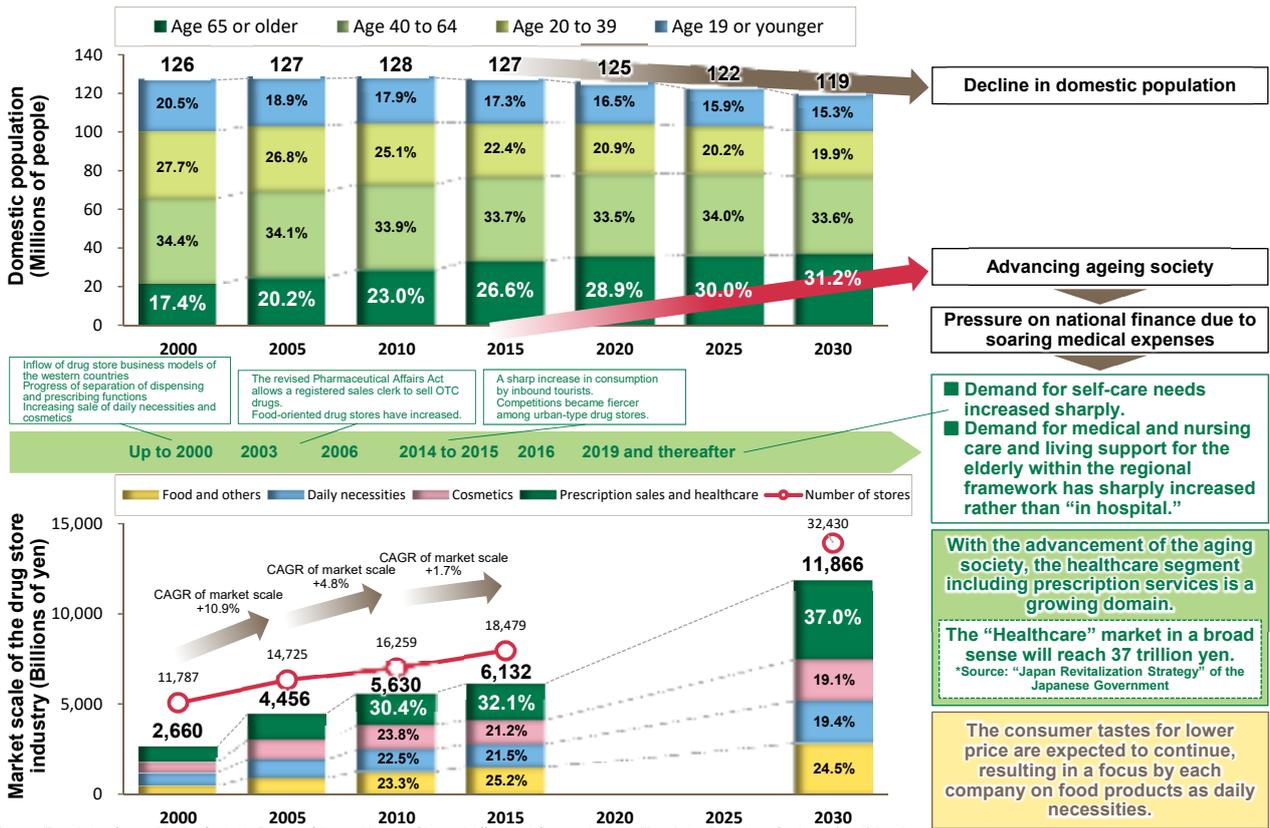


■ Market share of the top 10 drug dispensing pharmacy markets



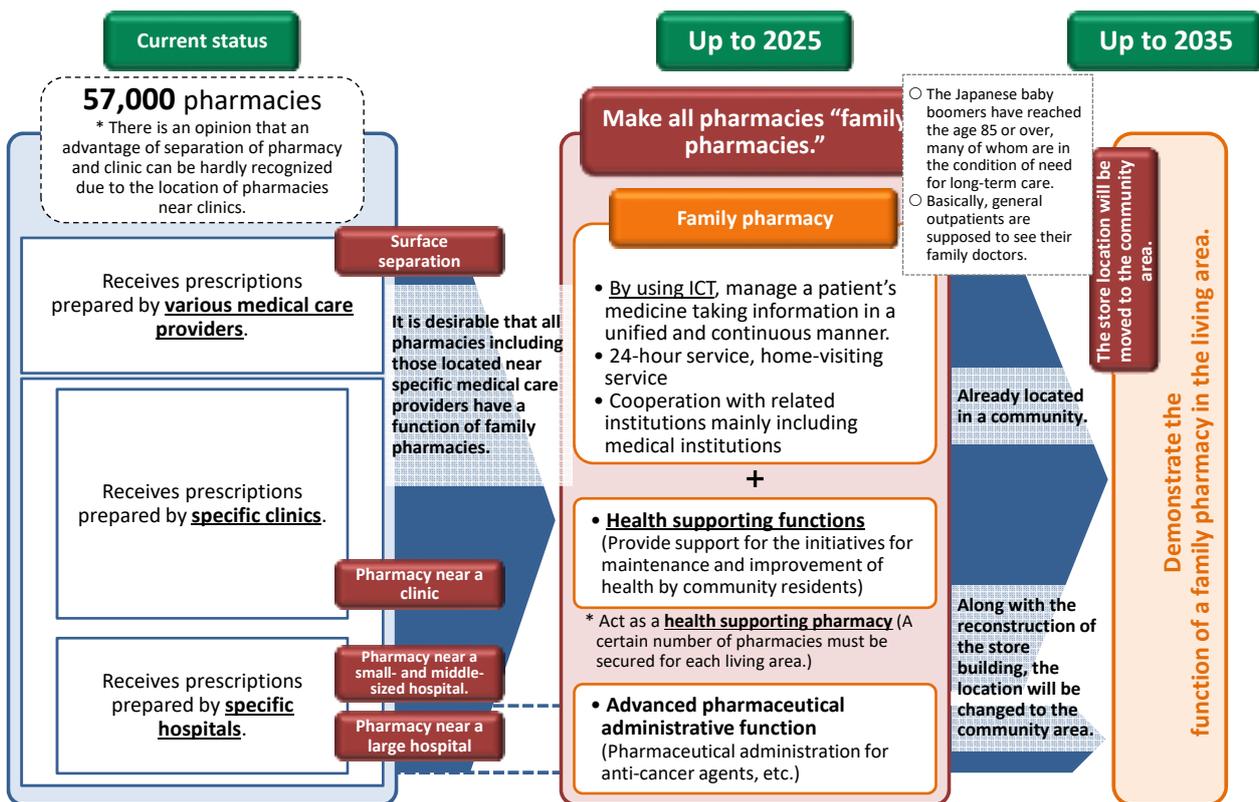
※Created based on presentation materials from each company

# Transition of the Growth of the Drug Store Industry



\* Source: "Population Census" by the Statistics Bureau of Japan, Ministry of Internal Affairs and Communications; "Population Projections for Japan (2017)" and "Population Projections by Region for Japan (2018)" by National Institute of Population and Social Security Research; and Japan Association of Chain Drug Stores

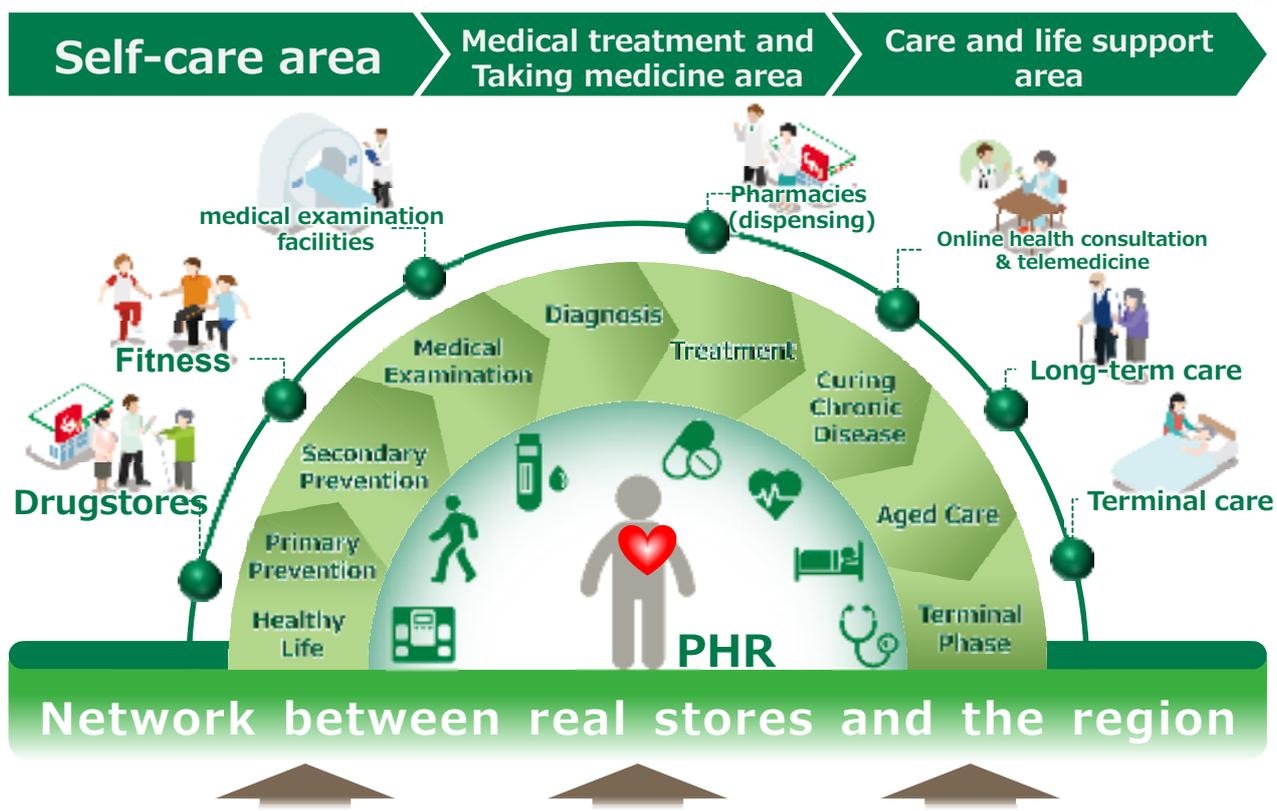
# Environment surrounding the dispensing business and expectation for pharmacies



\* Prepared based on the Outline of the "Pharmacy Vision for Patients" (issued on October 23, 2015)

# Process to create customer value

~Promotion of total healthcare strategy~



Comprehensive agreement for healthy town development with local governments  
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# Management strategy

	FY2015 to FY2017 Creating a foundation for growth	FY2018 to FY2019 Aggressive management	FY2020~ Improvement corporate value by maximizing customer lifetime value
Growth strategy	<b>Strengthening of sales capabilities</b>	<ul style="list-style-type: none"> <li>•Strengthening of existing domains (open new stores, frequent visit type stores / experience-based stores, drug dispensing business)</li> <li>•Expansion into new growth domain (inbound, overseas)</li> </ul>	
	<b>Strengthening of customer lifetime value management</b>	<ul style="list-style-type: none"> <li>•Promotion of total healthcare strategy</li> <li>•Improvement of customer lifetime value by integration of real and digital services</li> </ul>	
	<b>Expansion of collaboration and co-creation</b>	<ul style="list-style-type: none"> <li>•Alliances and M&amp;A (same and different industries)</li> <li>•Optimization of the entire value chain process through information linkage</li> </ul>	
Building a management foundation	<b>Promotion of digital transformation of management</b>	<ul style="list-style-type: none"> <li>•Provision of new customer experiences using digital technology</li> <li>•Optimization of existing operations using digital technology</li> </ul>	
	<b>Productivity improvement</b>	<ul style="list-style-type: none"> <li>•Implementation of opening new stores and renovating existing stores with high investment efficiency</li> <li>•Achieve highly productive work (abolition of work, transfer of work to part-time work, mechanization of regular work)</li> </ul>	
	<b>Improvement of the quality of human resources and organization</b>	<ul style="list-style-type: none"> <li>•Recruitment and education of human resources for the purpose of improving store quality and creating the next generation</li> <li>•Realization of the slim and flat organization to improve productivity and expand new business development</li> </ul>	

## Suburban type

### Community health care type

**Nagakusa**

### Frequent visit type

**Shinbayashi**

## Urban type

### Clinic attached type

**Yutenji**

## Management strategy

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# Strengthening of customer lifetime value management

~Improvement of customer lifetime value by integration of real and digital services~

Target number of member acquisition



## Management strategy

FY2015 to FY2017  
Creating a foundation for growth

FY2018 to FY2019  
Aggressive management

FY2020~  
Improvement corporate value by maximizing customer lifetime value

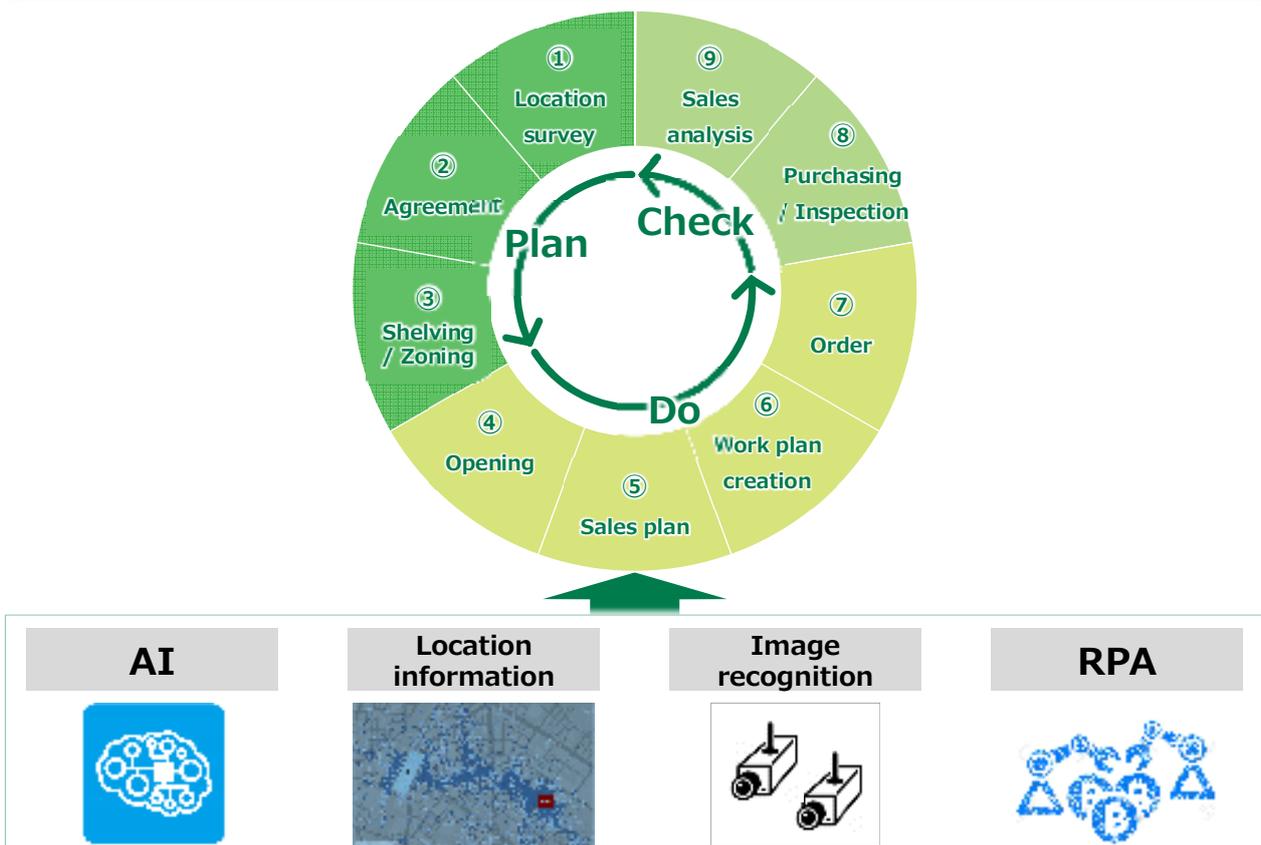
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# Management strategy

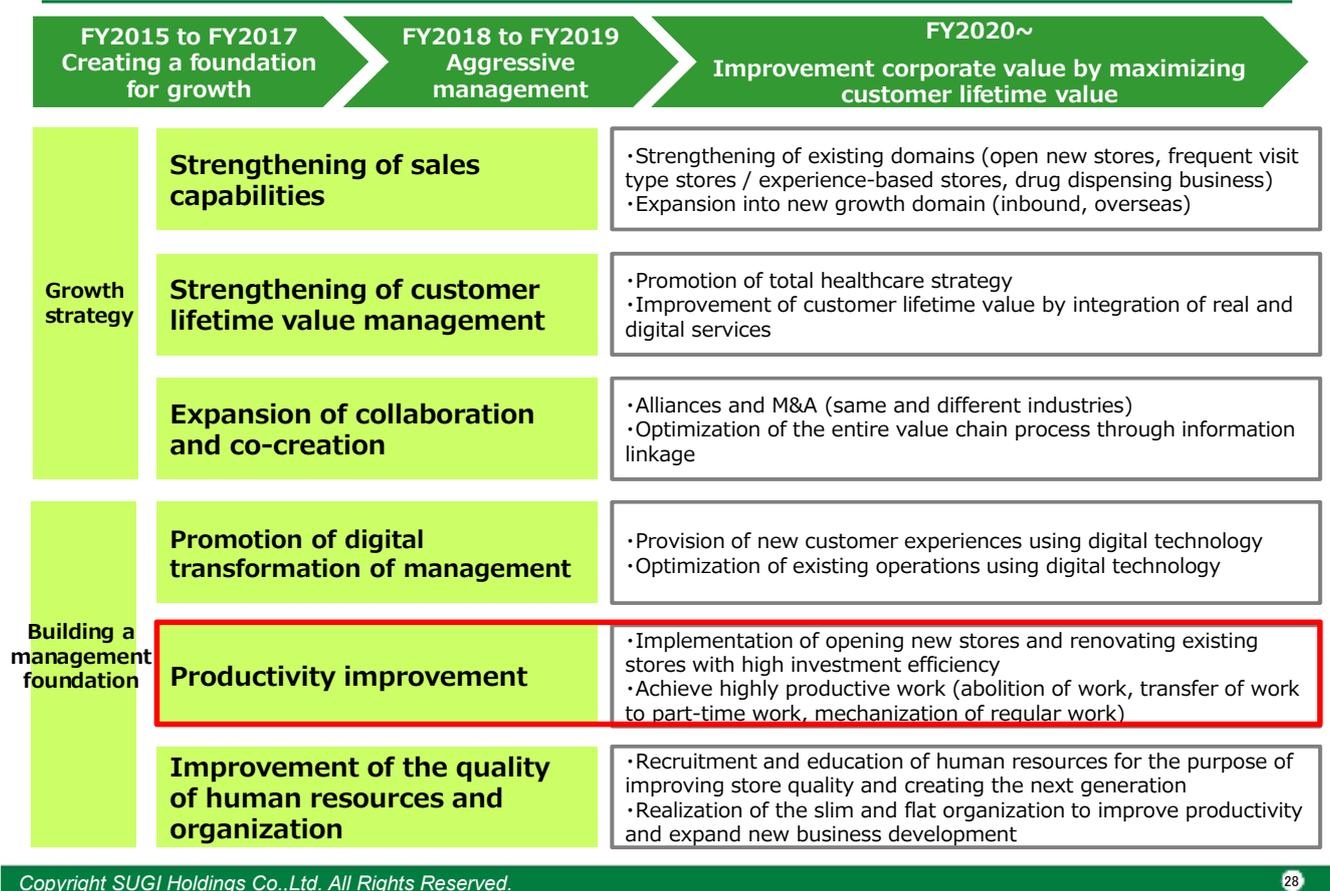
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## Promotion of digital transformation of management

Optimization of existing operations using digital technology



# Management strategy



## Future management policy

### 1 Management strategy

#### Recognition of external environment

•Progress of digitalization, Health conscious, From goods consumption to experience consumption, Growth domain of drugstore market

#### Growth strategy

•Strengthening of sales capabilities, Strengthening of customer lifetime value (LTV) management, Expand collaboration and co-creation

LTV : Lifetime Value

#### Building the management foundation

•Promotion of digital transformation of management, Productivity improvement, Improvement of the quality of human resources and organization

### 2 ESG management initiatives

# ESG management initiatives

## Sustainability Basic Policy :

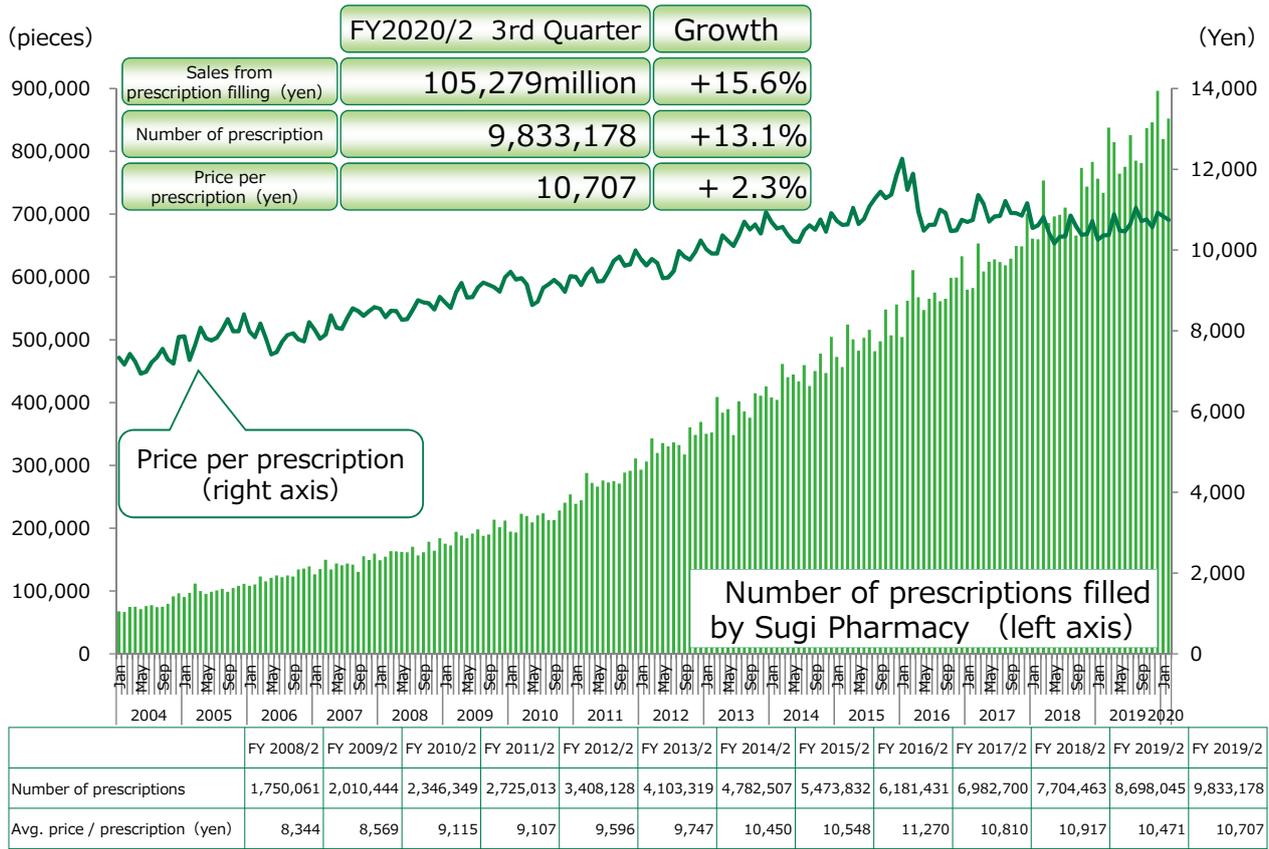
Sugi Pharmacy Group aims to be a company that contributes to the sustainable development of local communities by increasing the number of healthy and energetic people through corporate activities with stakeholders by seriously addressing various environmental and social issues.

### <Relationship between important issues and SDGs>

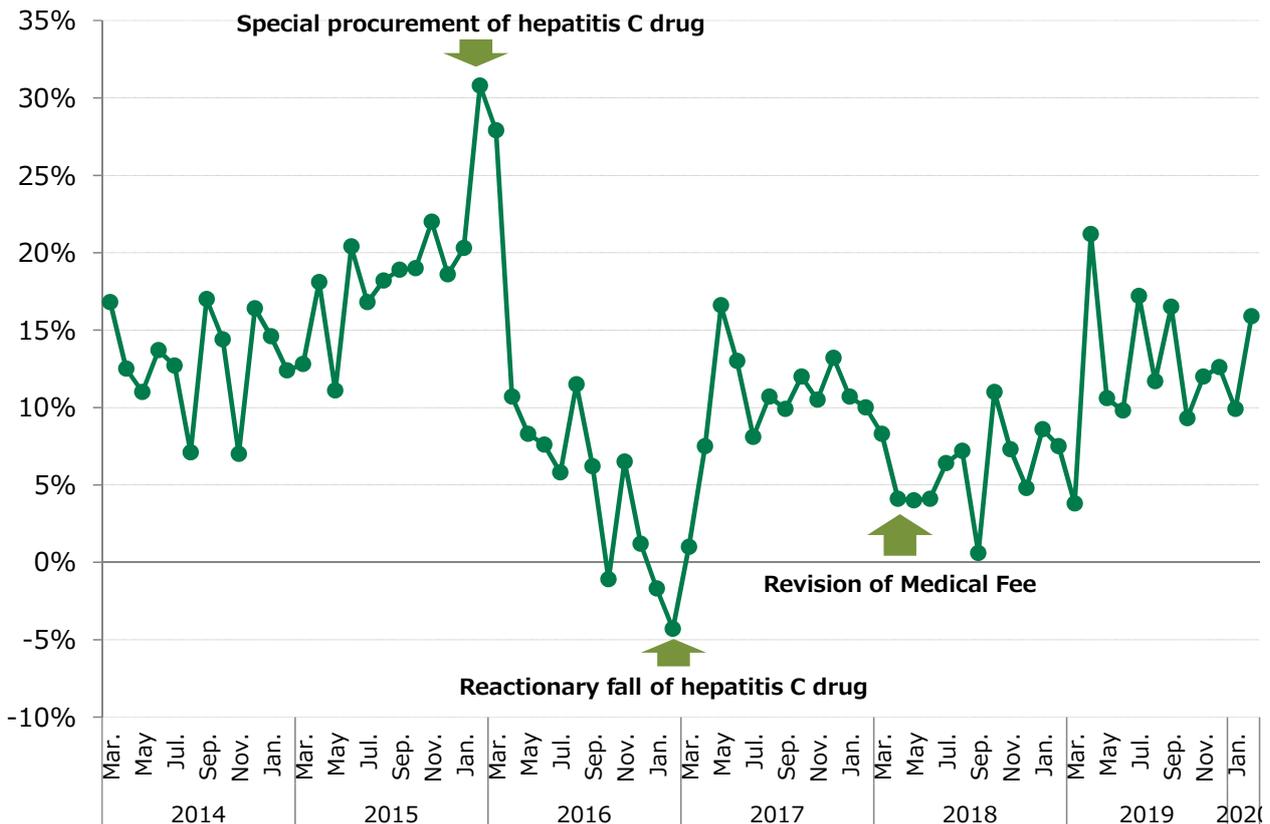
Important issues	Issues for Sustainable Corporate Activities ※Relationship with management philosophy	Main initiatives	Related SDGs
1	<b>Creation of products and services that support healthy living forever</b> ※「Happiness of each customer」	<ul style="list-style-type: none"> <li>Development and provision of services that improve health and welfare through real stores and online</li> <li>Development and provision of high value-added products that contribute to health and affluent lifestyles</li> <li>Improvement of customer satisfaction by utilizing digital technology</li> </ul>	
2	<b>Development as a regional base that supports the safety and security of all people</b> ※「Happiness of all people」	<ul style="list-style-type: none"> <li>Creating stores that support local life and community</li> <li>Creating stores that meet local medical and welfare needs</li> <li>Expansion of functions for aging society</li> <li>Contribution to safe and secure town development</li> </ul>	
3	<b>Efficient and environmentally friendly use of products and resources by eliminating overdo, waste and unevenness</b> ※「Happiness of all people」	<ul style="list-style-type: none"> <li>Initiatives to reduce product disposal and returns by realization of efficient product procurement and delivery methods with business partners</li> <li>Development and sales of environmentally friendly products</li> <li>Promotion of reusable bag campaign</li> </ul>	
4	<b>Provision of a workplace environment where employees can easily work and play active roles</b> ※「Happiness of each employee」	<ul style="list-style-type: none"> <li>Construction of personnel system that respects diverse working styles</li> <li>Promotion of support for part-time employees</li> <li>Promotion of support for employment of seniors and persons with disabilities</li> <li>Promotion of employee health improvement</li> </ul>	

# Medical Business of Sugi Group

# Trends in the Number of Prescriptions and Price per Prescription

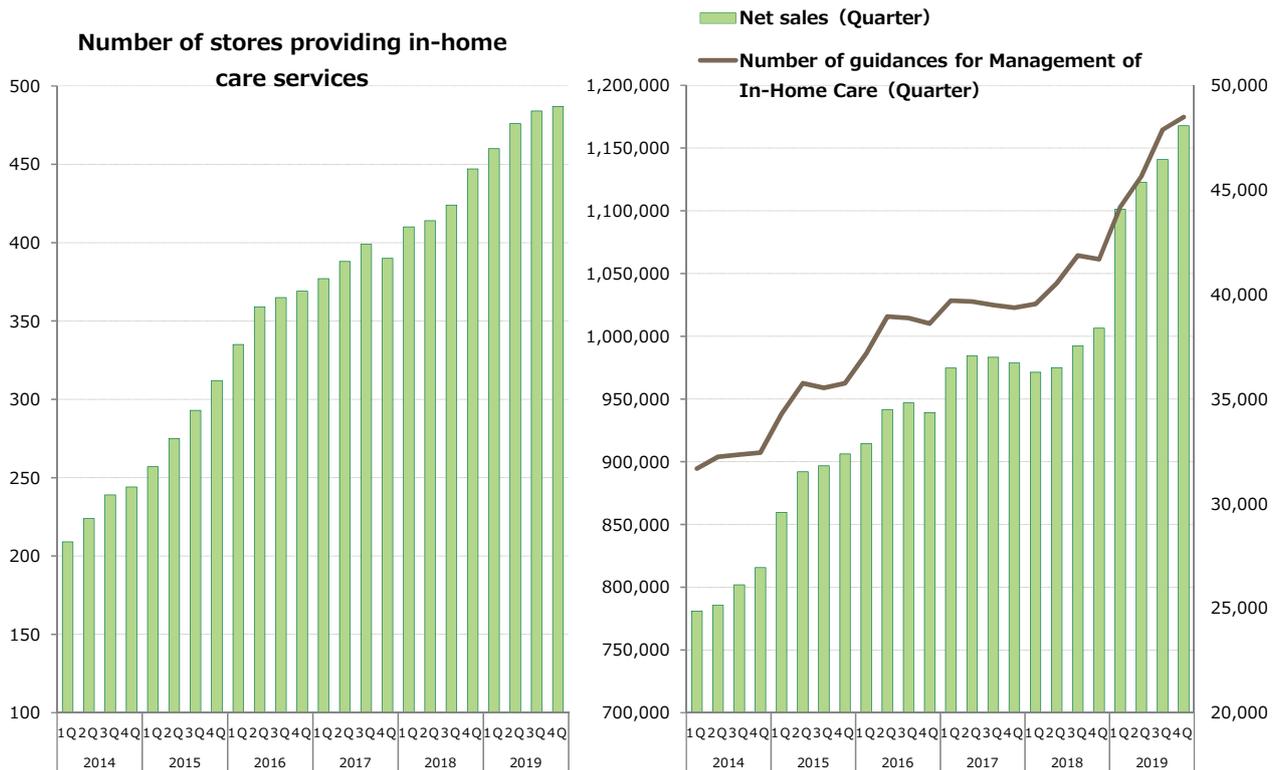


# Same store growth rate of prescription sales

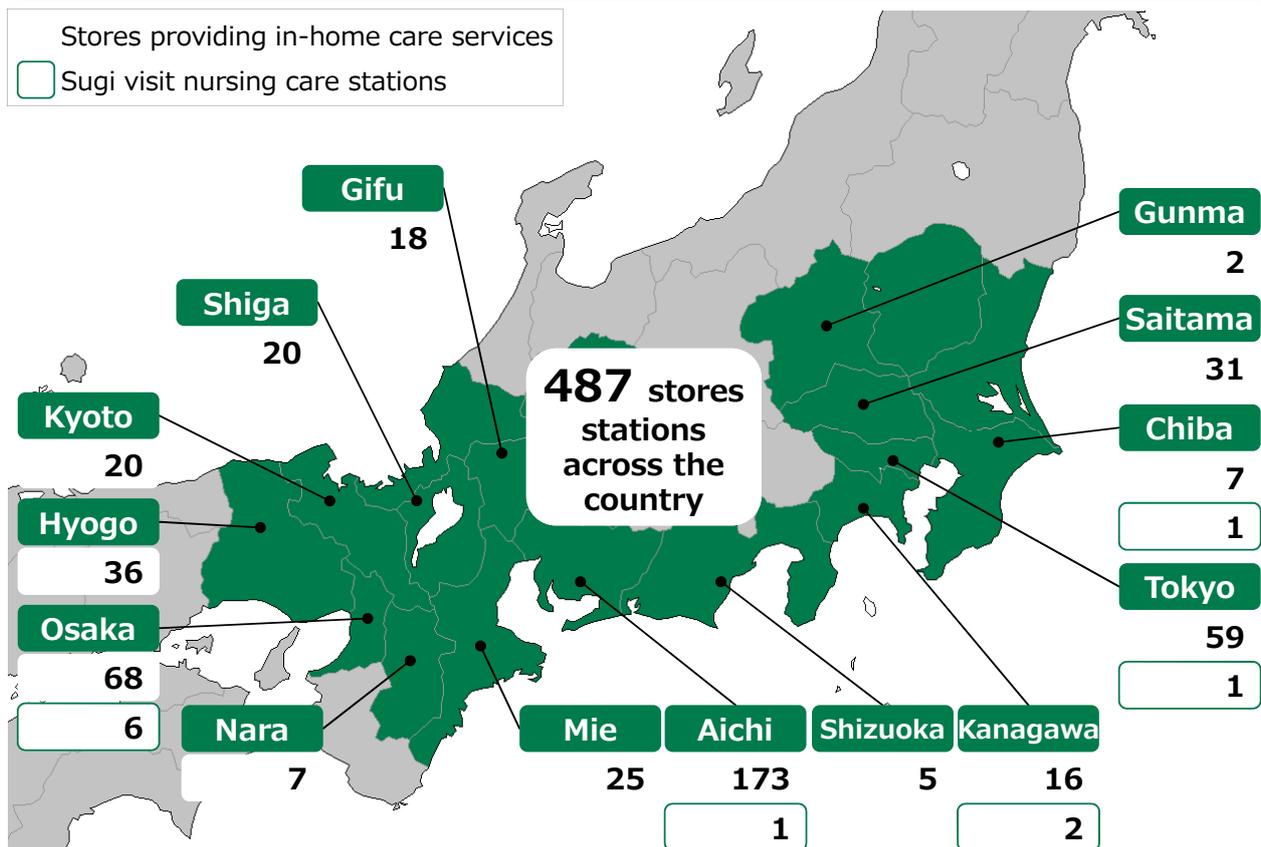


# In-home Medical Care Services – As of Feb. 29, 2020

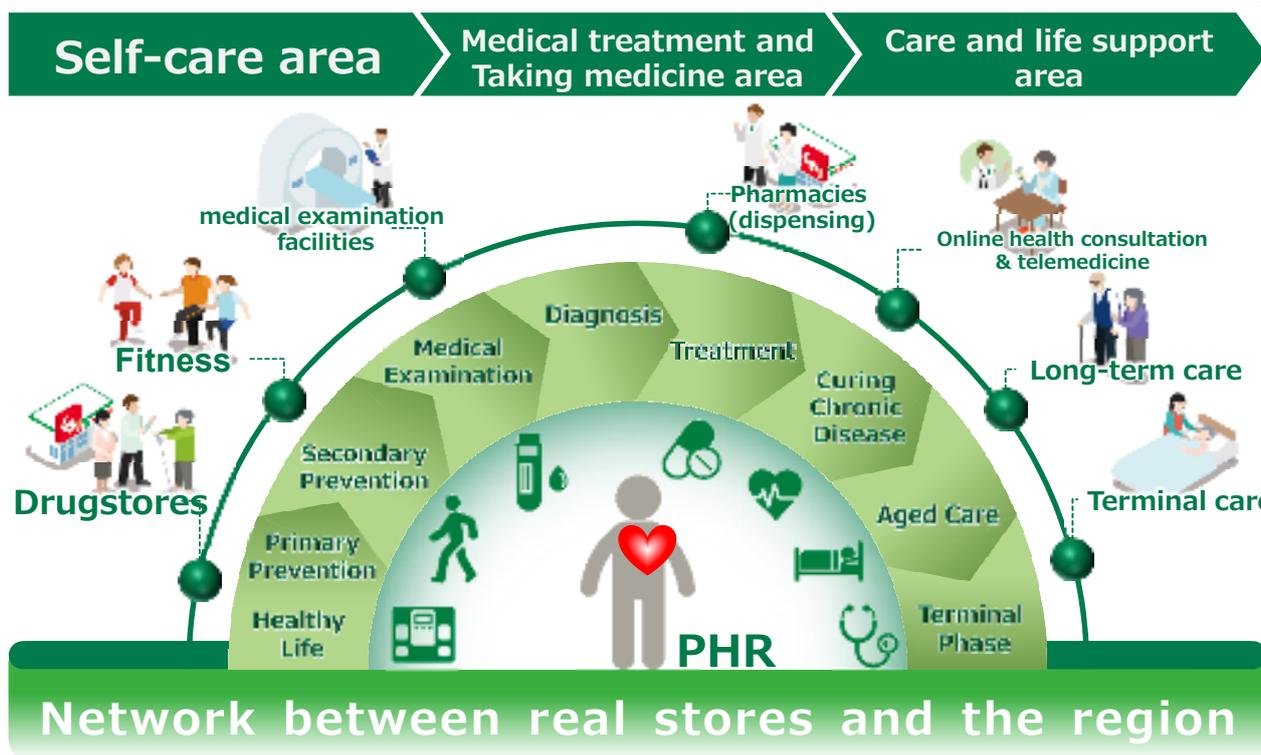
**in-home medical care: JPY 4,533m (+14.9% Y o Y)**



## Facilities Providing Comprehensive Medical Services to Local Communities



**Process to create customer value**  
 ~Promotion of total healthcare strategy~



**Network between real stores and the region**

Comprehensive agreement for healthy town development with local governments

**Strengthening of self-care domain**

**2<sup>nd</sup> step**

Expansion into **B to C** market (Provision in stores and digital)

**1<sup>st</sup> step**

Expansion into **B to B** market  
 (Health insurance associations, etc.)

**Lifestyle related disease risk report**



**What you can learn from the lifestyle-related disease report**

- Ranking of medical examination values compared to people of the same age and same sex
- Onset probability of stroke, myocardial infarction and diabetes
- Probability of onset when lifestyle and medical examination values are improved

**Specific health guidance**

※Commissioned 1,224 cases (FY Ended Feb. 2020)



**Specific health guidance by Nationally registered dietitian.**

- Supports lifestyle review
- Can be consulted at a store near your home (Approximately 460 Nationally registered dietitian belong to our company)

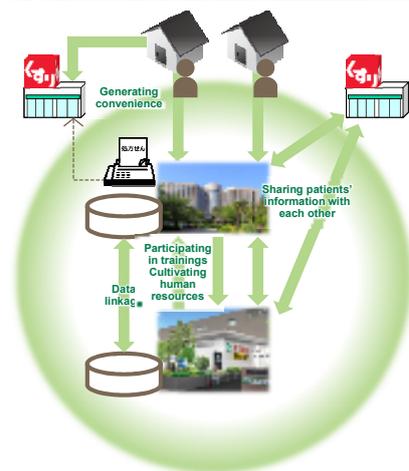
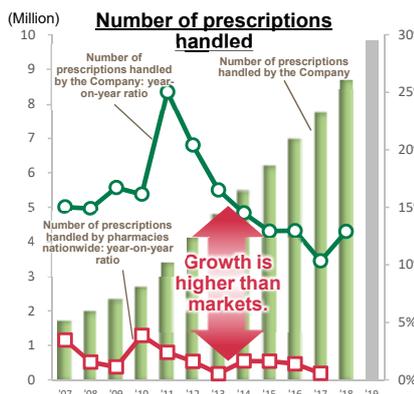
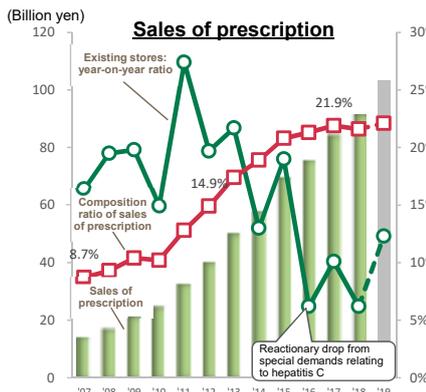
# Strengthening of the Medical treatment and Taking medicine area

Drug dispensing business strategy

Drugstores with their dispensing departments

Pharmacies established with a medical mall or a medical service provider

Opening of a pharmacy on the premises of a medical service provider



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# Strengthening of the Medical treatment and Taking medicine area

Online medication guidance

## Schedule for online medication guidance

Jun. 2016	Empirical online medication guidance has become possible within the National Strategic Special Zone as a special case of face-to-face medication guidance by pharmacist by based on the law that partially revises the National Strategic Special Zones Law (Law No. 55 of 2016)
Jun. 2018	Enforcement of "Special provisions of the National Strategic Special Zones Law concerning the quality, efficacy and safety of pharmaceuticals and medical devices, etc." Aichi Prefecture, Yabu City, Hyogo Prefecture and Fukuoka City have been approved for the implementation plan of the demonstration project
Sep. 30, 2019	Amendments to the National Strategic Special Zones Law enforcement rules have made it possible to provide online medication guidance in urban areas when certain requirements are met.
Dec. 18, 2019	Chiba City has been added to the National Strategic Special Zone that provides online medication guidance
Feb. 28, 2020	Ministry of Health, Labor and Welfare announces "Handling of medical treatment and prescriptions using telephones and information and communication equipment to increase the number of patients with new type coronavirus infection" Approved to use online medication guidance as a special measure for patients who regularly visit hospitals for chronic diseases etc..
Apr. 1, 2020	With the enforcement of the medical fee revision in 2020, outpatient and home patient online medication guidance has been approved for the calculation of dispensing fee
Sep. 2020	With the partial revision of the "Law Concerning the Quality, Efficacy and Safety of Pharmaceuticals and Medical Devices, etc.", online medication guidance will be available nationwide.



As a complement to face-to-face medical treatment, expectations for realizing seamless medical treatment from online medical treatment to medication instruction are increasing.

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# SUGI PHARMACY Group

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