

Financial Results

1st Half - FY Ending February 29, 2020

Supplementary Information

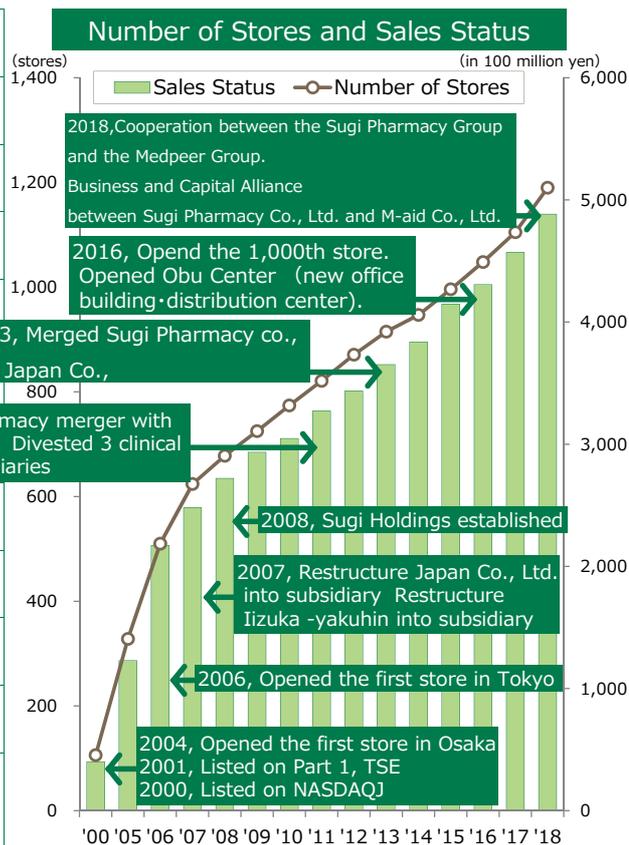
Securities ID Code: 7649, Part 1 of TSE and NSE

SUGI Holdings

October 9, 2019

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	1,237 (as of Aug, 2019)
Number of employees	6,200 (full-time) (as of Aug, 2019)
Net sales	JPY488,464m (FY ended Feb. 28, 2019- consolidated)
Operating Profit	JPY25,817m (FY ended Feb. 28, 2019- 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 1st Half - FY Ending February 29, 2020

Store Openings and Closings

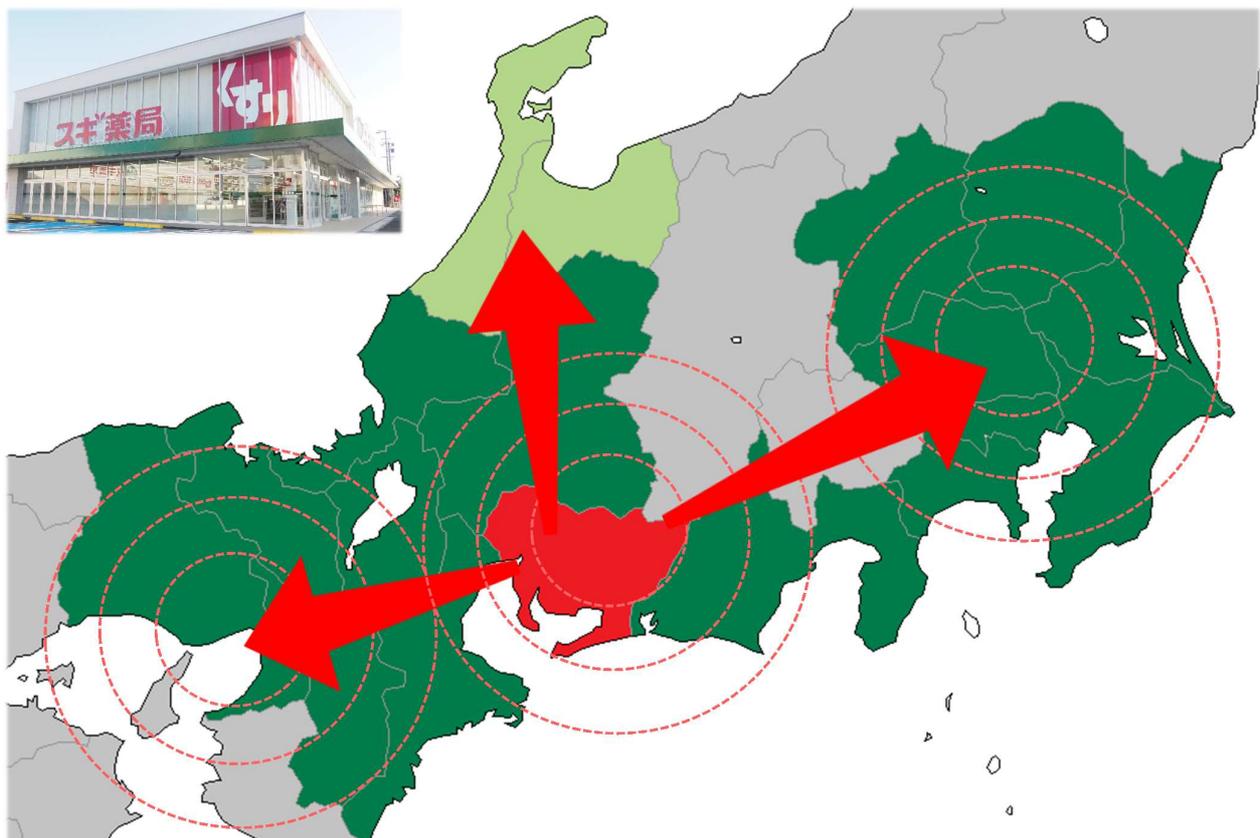
* Please note that "FY2019/2" and "FY 2020/2" in this presentation refers to the fiscal year ended in February 2019, and the fiscal year ended February 2020, respectively. The same notation is used in other pages.

1st Half : Opened 50 stores, closed 3 stores, increased 47 stores

Nos. of stores by region	FY2019/2 Full Year	FY2020/2 1st Half		Forecast after September 2019		FY 2020/2 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	298	29	0	327	17	5	46	5	+41	339
Chubu Region	456	9	1	464	21	6	30	7	+23	479
Kansai Region	429	12	2	439	18	6	30	8	+22	451
Hokuriku Region	7	0	0	7	6	0	6	0	+6	13
Total	1,190	50	3	1,237	60	17	110	20	+90	1,280

Nos. of stores by company	FY2019/2 Full Year	FY2020/2 1st Half		Forecast after September 2019		FY 2020/2 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
Sugi Pharmacy	1,063	50	1	1,112	60	17	110	18	+92	1,155
Japan	118	0	2	116	0	0	0	2	-2	116
Visit Nursing Care ST	9	0	0	9	0	0	0	0	±0	9
Total	1,190	50	3	1,237	60	17	110	20	+90	1,280

Acceleration of new store openings, Expand new store opening area



Financial Highlights

1st Half - FY Ending February 29, 2020

- Consolidated -

1st Half Financial Highlight - Consolidated -

1st Half : Net sales (JPY263.7 billion) and Operating profit (JPY14.7 billion)

	FY Ended 2019/2 1H (March to August)		FY Ending 2020/2 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	243,940	100.0	263,701	100.0	102.4	+6,201	108.1
Sugi Pharmacy business	208,310	85.4	231,810	87.9	102.7	+6,006	111.3
Japan business	34,451	14.1	30,400	11.5	100.3	+104	88.2
Others	1,179	0.5	1,492	0.6	106.5	+92	126.6
Gross Profit	70,029	28.7	77,875	29.5	103.8	+2,875	111.2
Sugi Pharmacy business	62,432	30.0	70,651	30.5	103.9	+2,650	113.2
Japan business	6,793	19.7	6,098	20.1	101.7	+99	89.8
Others	804	68.2	1,126	75.5	112.6	+126	140.2
SG&A Expenses	57,158	23.4	63,098	23.9	103.4	+2,098	110.4
Operating Income	12,871	5.3	14,776	5.6	105.5	+776	114.8
Non-operating Income	1,376	0.6	1,647	0.6	137.3	+447	119.7
Non-Operating Expenses	755	0.3	759	0.3	108.5	+59	100.6
Ordinary Income	13,492	5.5	15,664	5.9	108.0	+1,164	116.1
Extraordinary Income	0	-	0	-	-	-	-
Extraordinary Losses	63	0.0	7	0.0	2.9	-243	11.2
Net Income before Income Taxes	13,428	5.5	15,657	5.9	109.9	+1,407	116.6
Income Taxes	4,478	1.8	5,195	2.0	109.4	+445	116.0
Net Income	8,950	3.7	10,461	4.0	110.1	+961	116.9

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 10.4% year on year

	FY Ended 2019/2 1H (March to August)		FY Ending 2020/2 1H (March to August)		Y o Y
	Results (in million yen)	Ratio to Sales (%)	Results (in million yen)	Ratio to Sales (%)	
Net Sales	243,940	100.0	263,701	100.0	108.1
Total Selling Expenses	3,787	1.6	3,584	1.4	94.6
Advertising Expenses	2,325	1.0	2,241	0.8	96.4
Premium Expenses	1,462	0.6	1,343	0.5	91.9
Personnel Expenses	29,233	12.0	32,051	12.2	109.6
Total Administrative Expenses	24,137	9.9	27,463	10.4	113.8
Rent Expenses	10,526	4.3	12,167	4.6	115.6
Depreciation Expenses	3,452	1.4	3,858	1.5	111.8
Utilities Expenses	1,908	0.8	2,059	0.8	107.9
Supplies Expenses	1,815	0.7	1,948	0.7	107.3
Tax and Public Charges	1,499	0.6	1,748	0.7	116.6
Commission Paid	2,078	0.9	2,515	1.0	121.0
Others	2,856	1.2	3,164	1.2	110.8
Total SG&A Expenses	57,158	23.4	63,098	23.9	110.4

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8

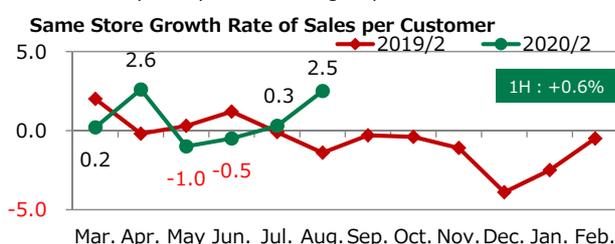
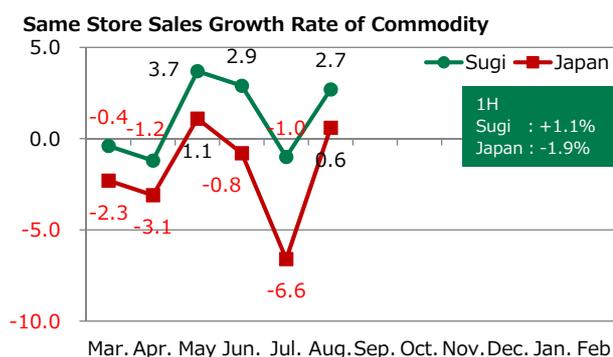
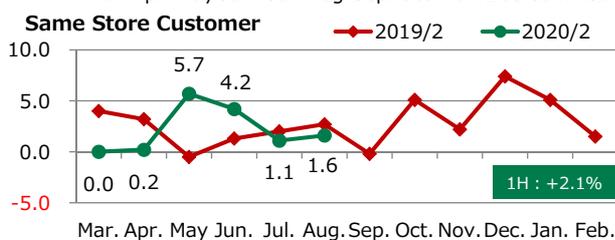
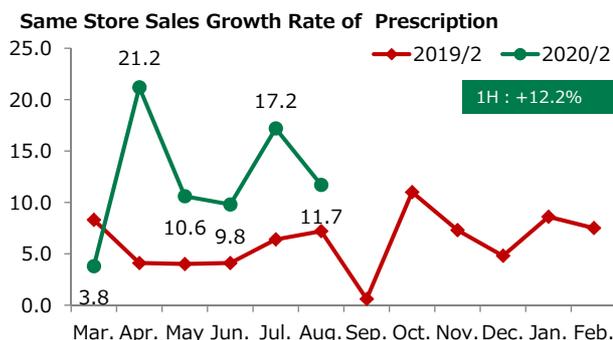
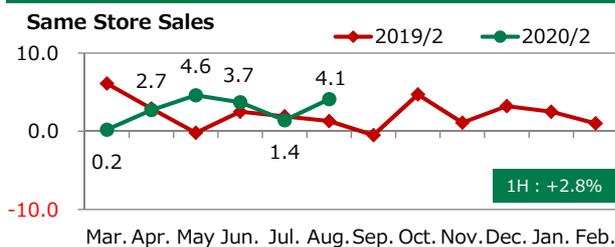
Sales Trend
1st Half - FY Ended February 29, 2020

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9

Sales growth rate of existing stores- Sugi Group -

1st Half :Same store sales growth rate showed +2.8% (prescription;+12.2%, Sugi's commodity ;+1.1%, Japan's commodity;-1.9%), same store customer growth rate indicated +2.1%.



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10

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 2019/2 1H		FY 2020/2 1H				FY 2019/2 1H	FY 2020/2 1H			
	Results	Budget	Results	Budget			Results	Budget	Results		
Prescription	21.4	21.5	22.1	105.5	114.9	37.2	38.7	38.9	+0.2	+1.7	
Healthcare	-	20.8	20.6	101.5	-	-	39.1	39.5	+0.4	-	
Beauty	-	21.9	21.2	99.6	-	-	29.9	30.6	+0.7	-	
Household wares	-	19.0	18.9	102.2	-	-	22.9	23.6	+0.7	-	
Foods	-	16.7	17.1	105.1	-	-	16.3	16.3	±0.0	-	
Other	-	0.1	0.1	92.1	-	-	30.2	31.8	+1.6	-	
Total	100.0	100.0	100.0	102.7	111.3	30.0	30.1	30.5	+0.4	+0.5	

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.

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11

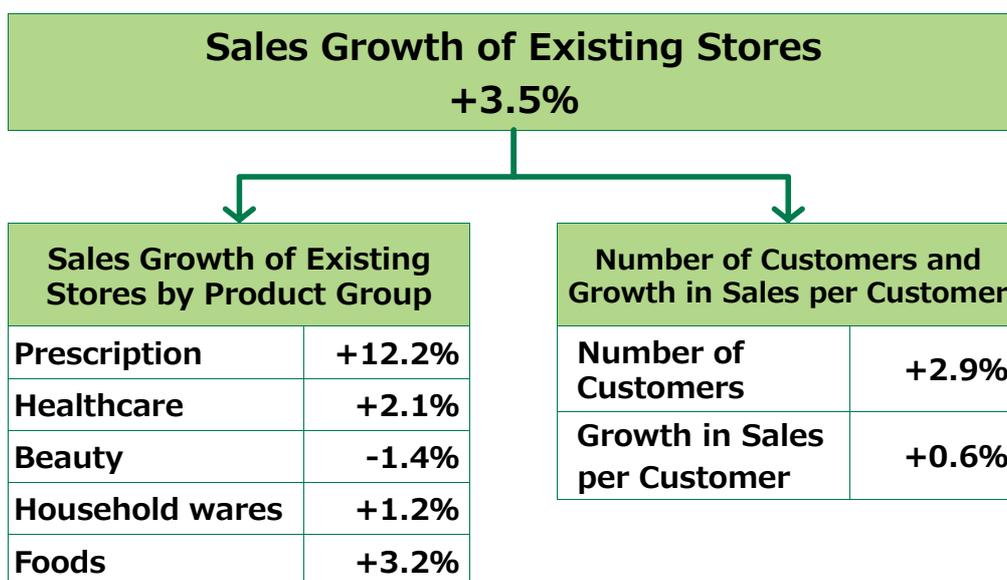
Sales Trend by Product Group - Japan -

	Composition Ratio			Sales % vs. Budget	Sales % Y o Y	Gross Margin Rate			Gross Margin % vs. Budget	Gross Margin % vs. Y o Y		
	FY 2019/2 1H		FY 2020/2 1H			FY 2019/2 1H		FY 2020/2 1H				
	Results	Budget	Results				Results	Budget			Results	
Healthcare	-	8.6	8.7	102.3	-	-	35.4	36.1	+0.7	-		
Beauty	-	7.6	7.5	98.9	-	-	27.2	28.7	+1.5	-		
Household wares	-	18.8	19.1	102.0	-	-	23.6	24.4	+0.8	-		
Foods	-	63.2	62.8	99.6	-	-	15.9	15.7	-0.2	-		
Other	-	1.8	1.9	105.9	-	-	11.5	11.7	+0.2	-		
Total	100.0	100.0	100.0	100.3	88.2	19.7	19.8	20.1	+0.3	+0.4		

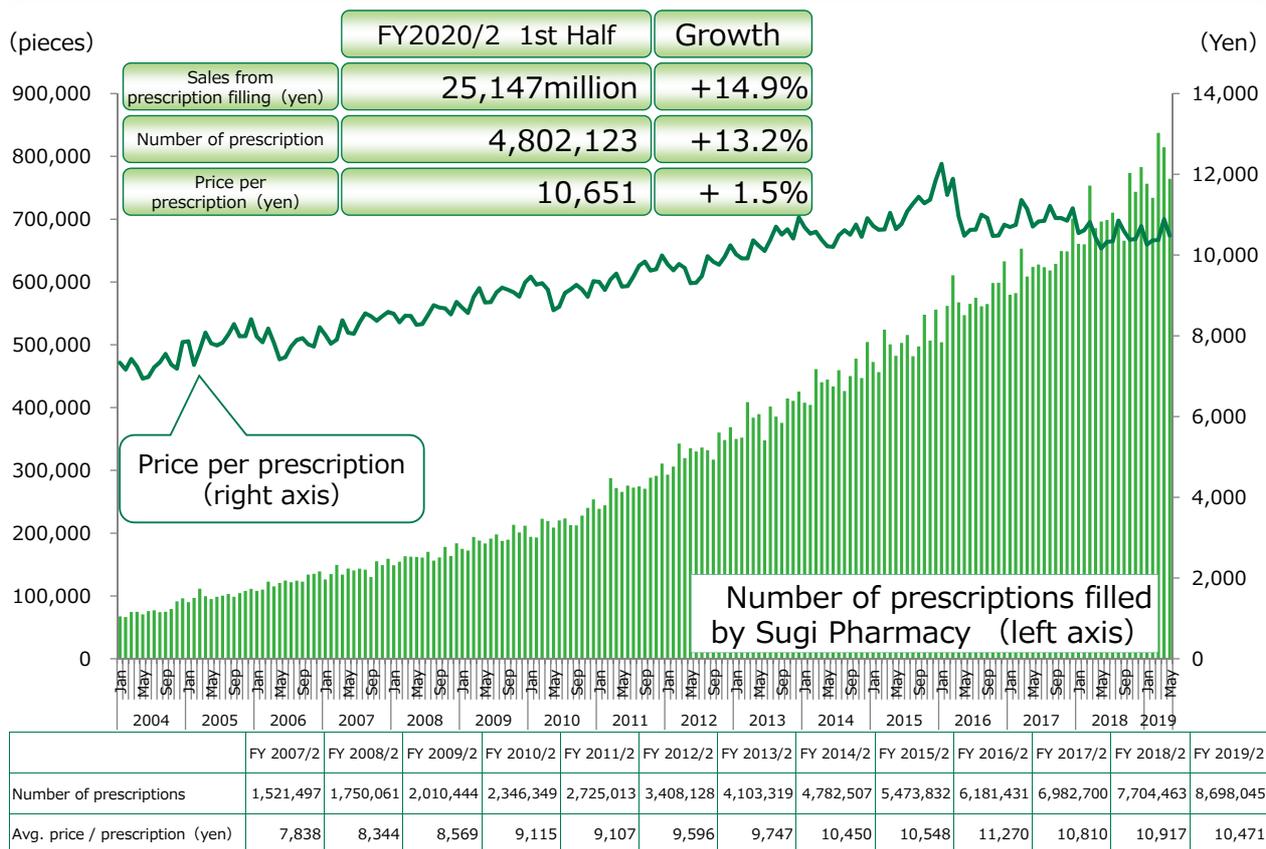
Due to changes in the product sales department from this term, results for the previous fiscal year and comparisons with the previous fiscal year are not shown.

Sales Trend at Existing Stores- Sugi Pharmacy business -

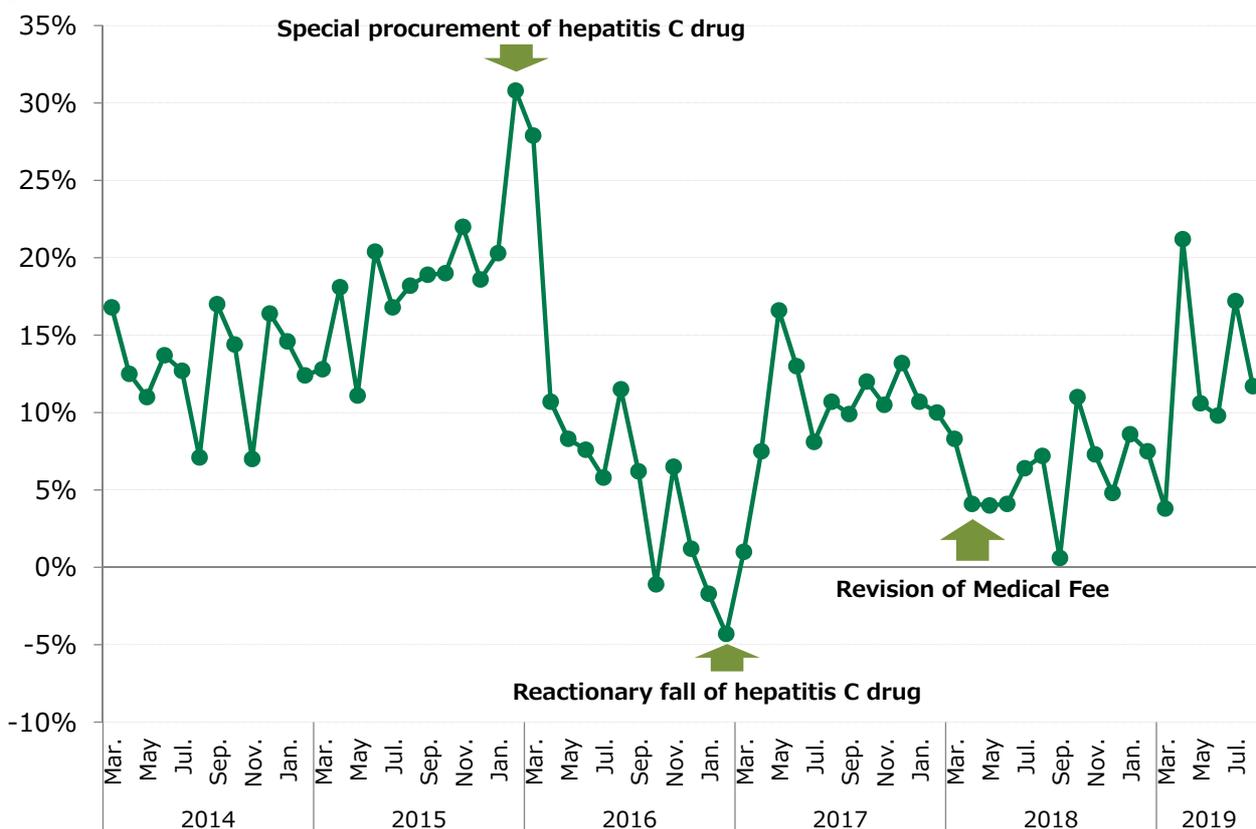
1st Half : Existing store sales growth ratio indicated +3.5%



Trends in the Number of Prescriptions and Price per Prescription

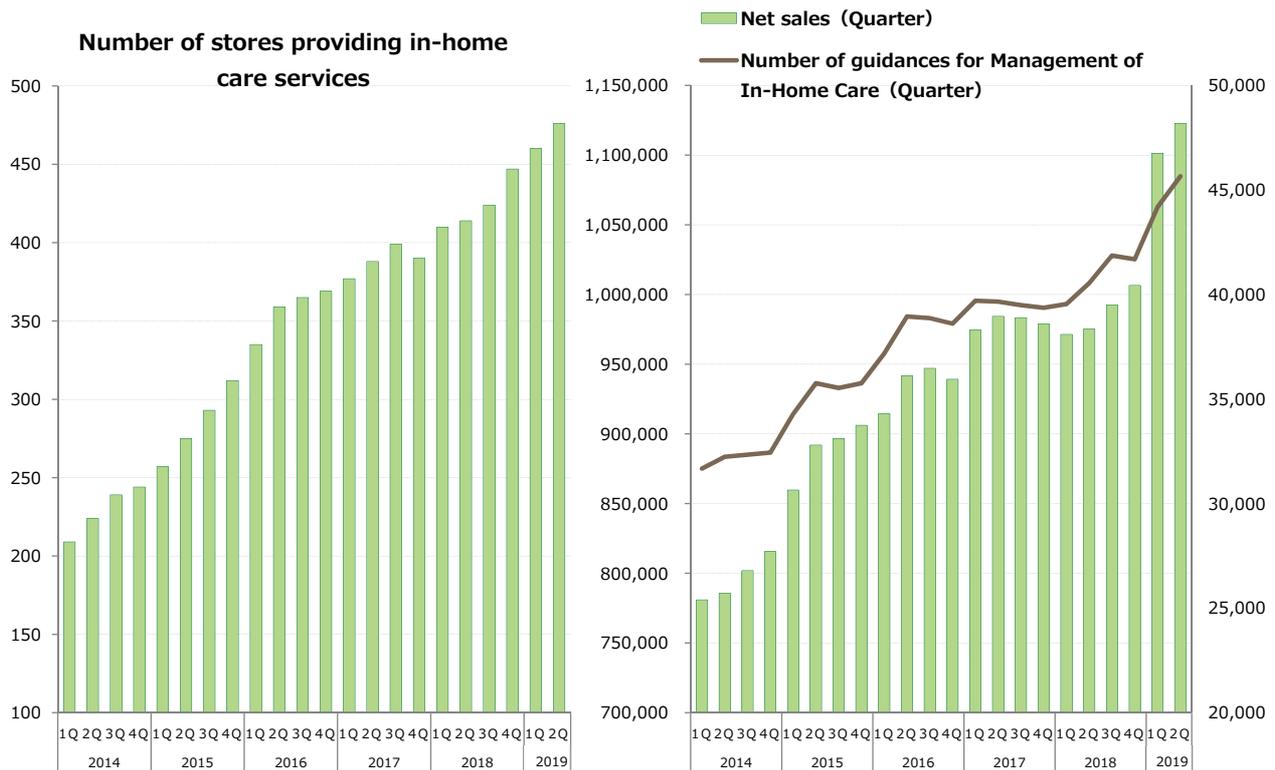


Same store growth rate of prescription sales



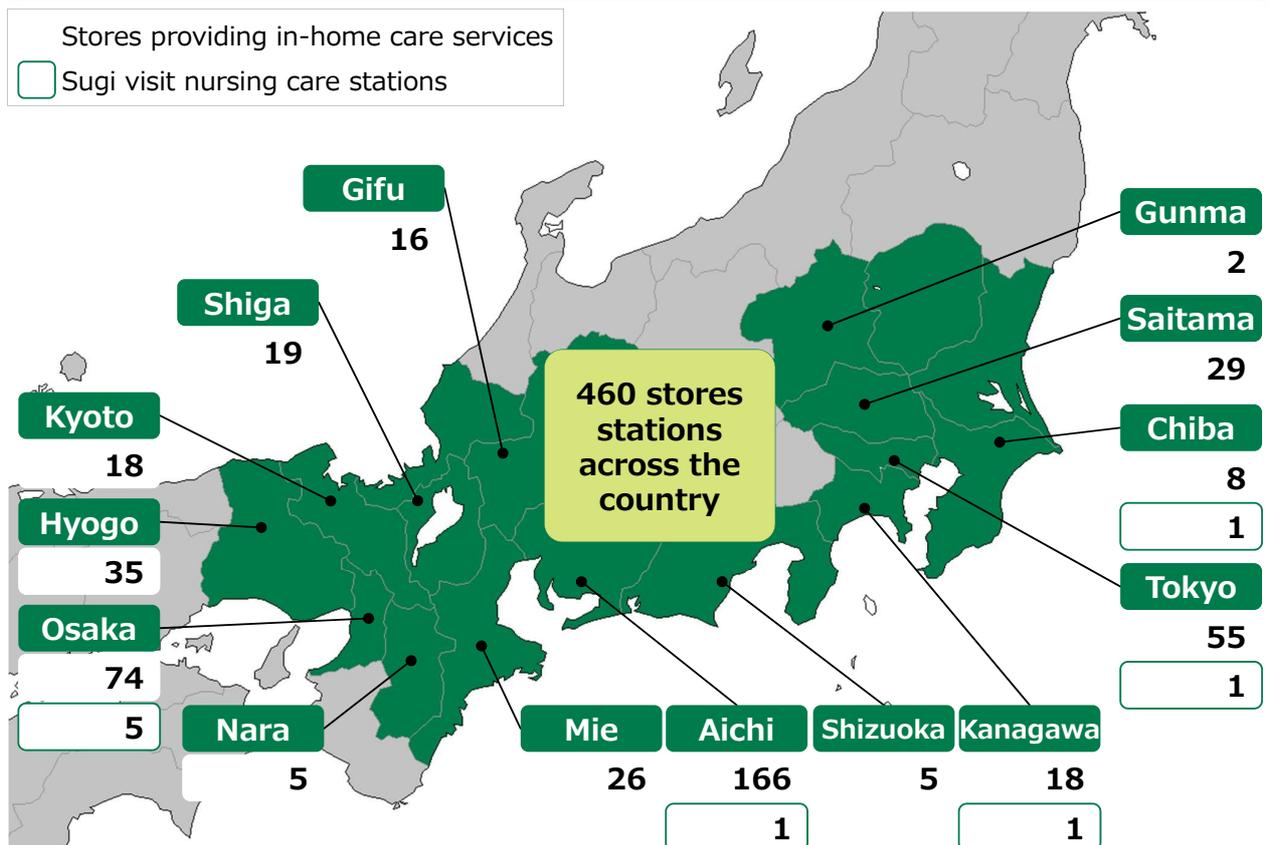
In-home Medical Care Services – As of May. 31, 2019

in-home medical care: JPY 2,224m (+14.3% Y o Y)



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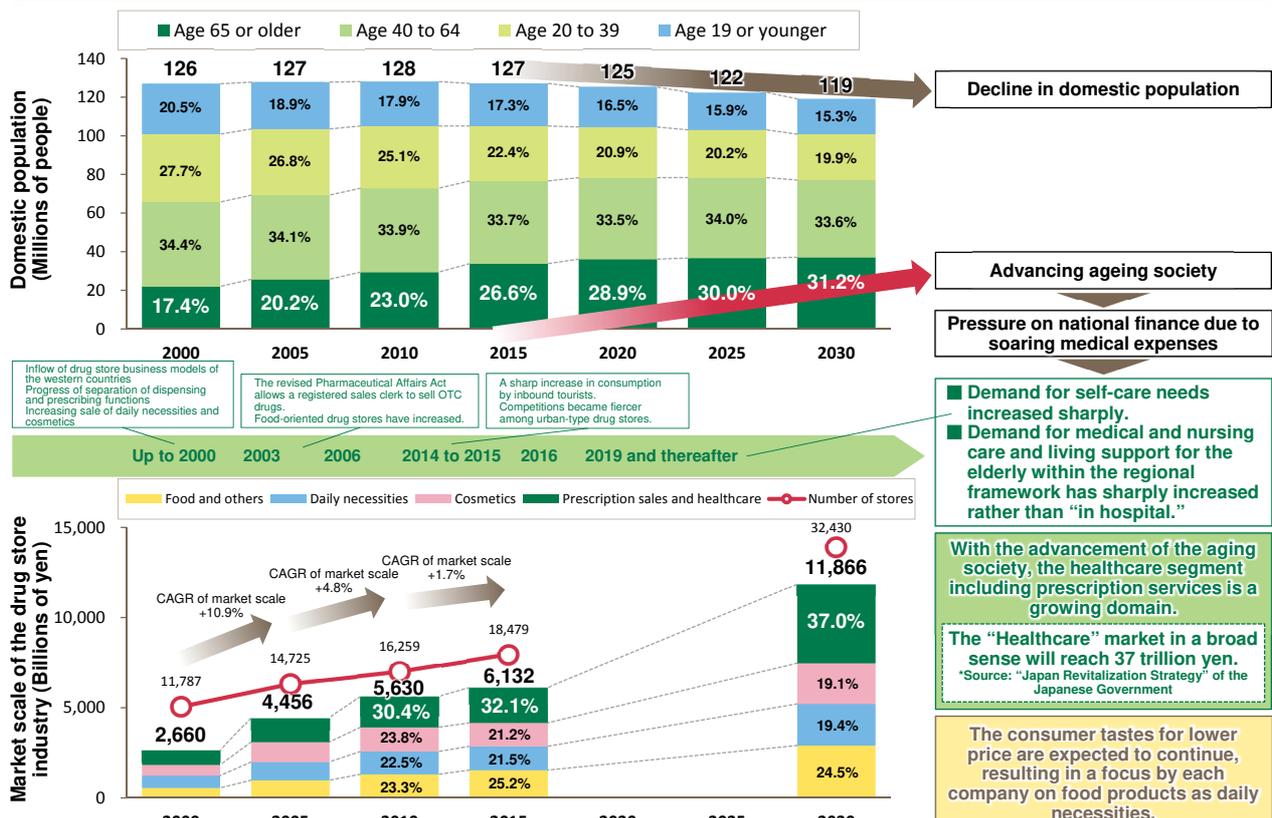
Facilities Providing Comprehensive Medical Services to Local Communities



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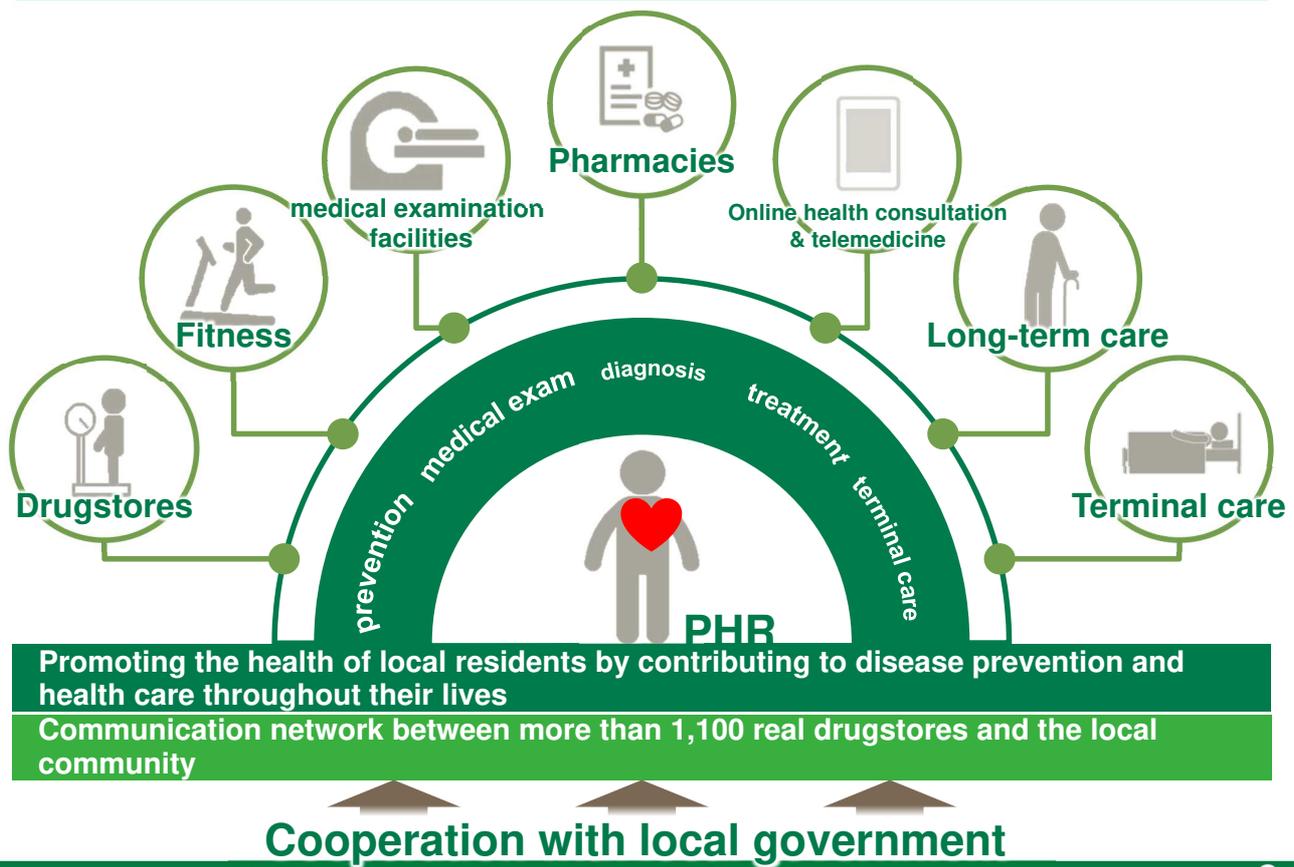
Future strategy

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

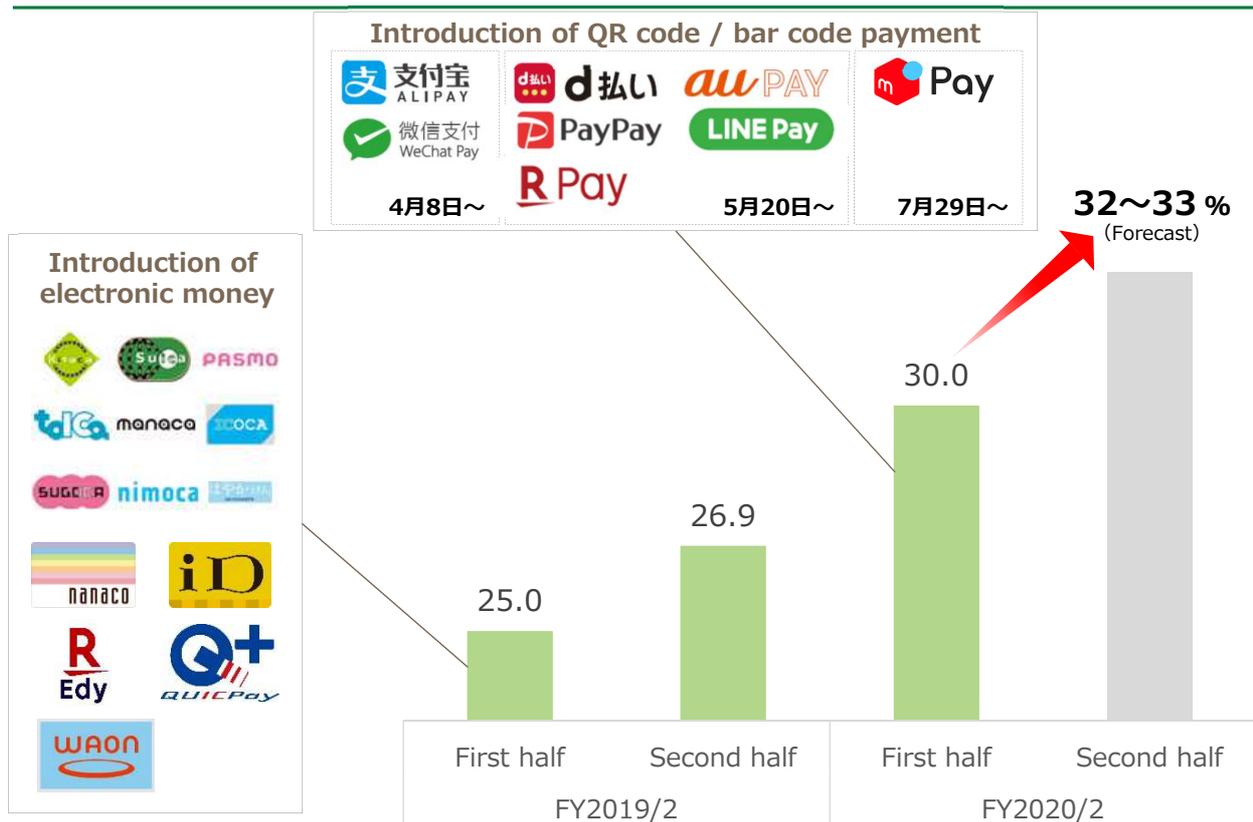
Value delivery to customers through real touchpoints



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20

Trend of cashless ratio



※The ratio of cashless amount to cashier amount

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21

Utilization of digital

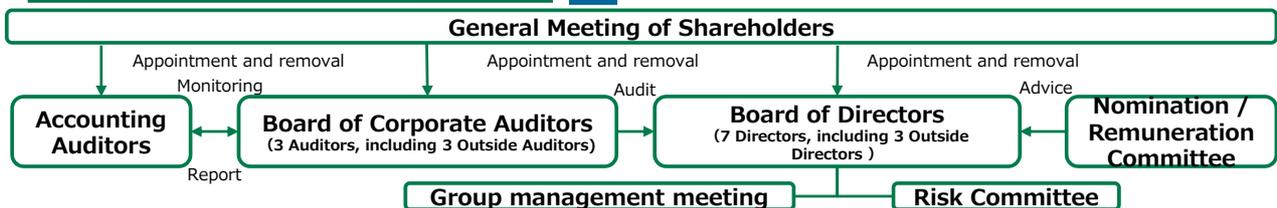


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Commitments to SDGs

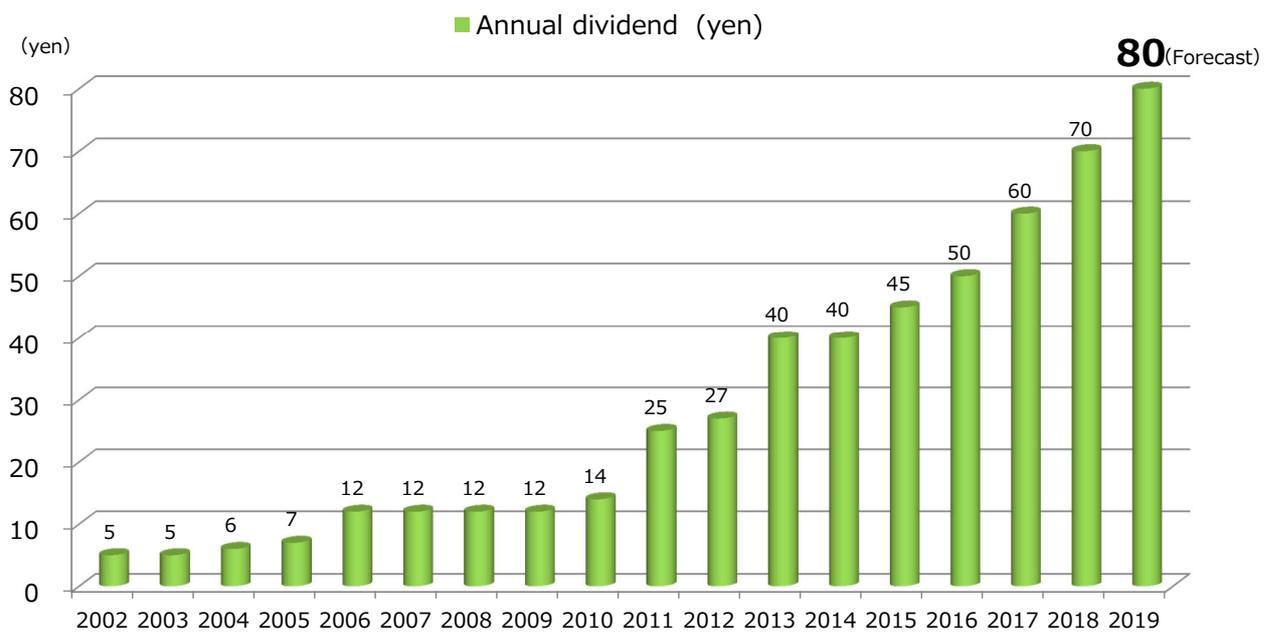


Corporate Governance Organization



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Transition of dividend per share (Annual Total)

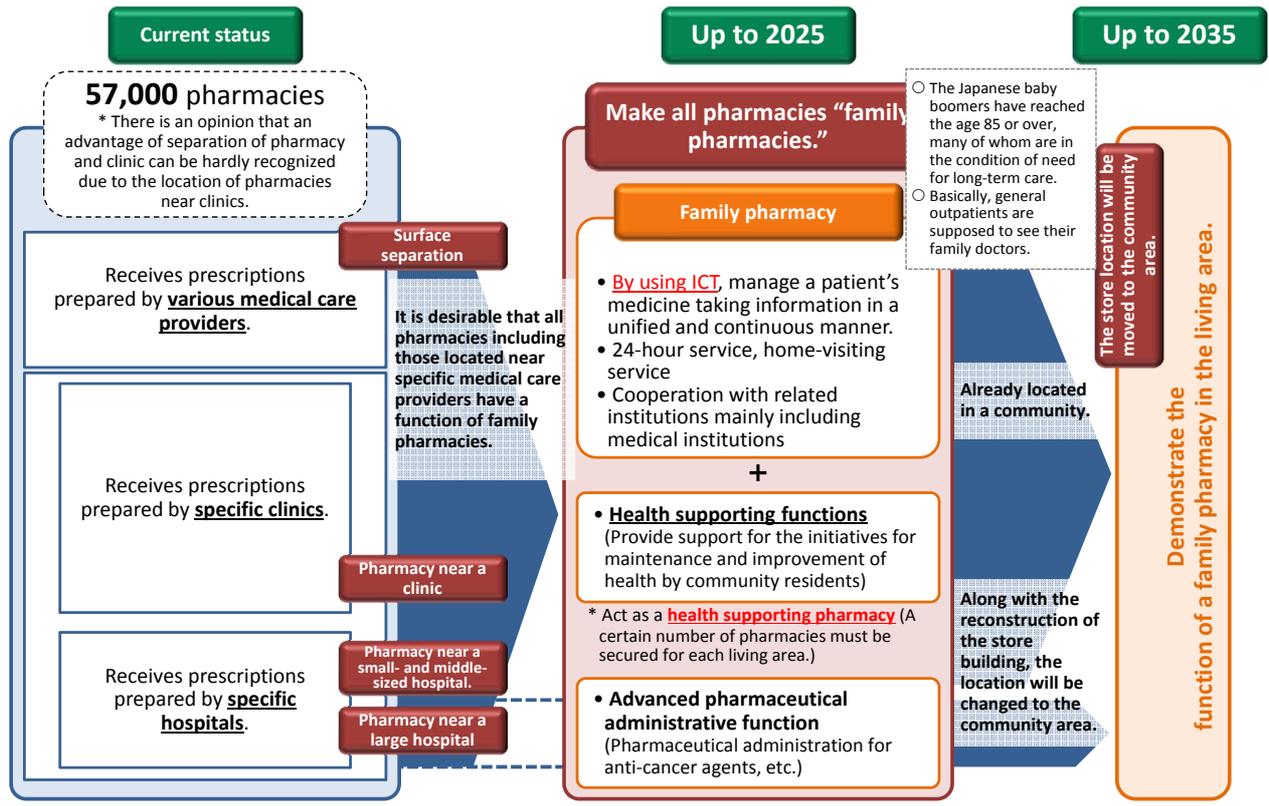


(%)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Payout ratio	18.7	11.1	14.1	14.7	9.8	13.9	13.5	19.8	19.7	19.5	21.2	23.1	24.3	27.0

(Forecast)

Future strategy
(Dispensing / Healthcare Business)

Environment surrounding the dispensing business and expectation for pharmacies

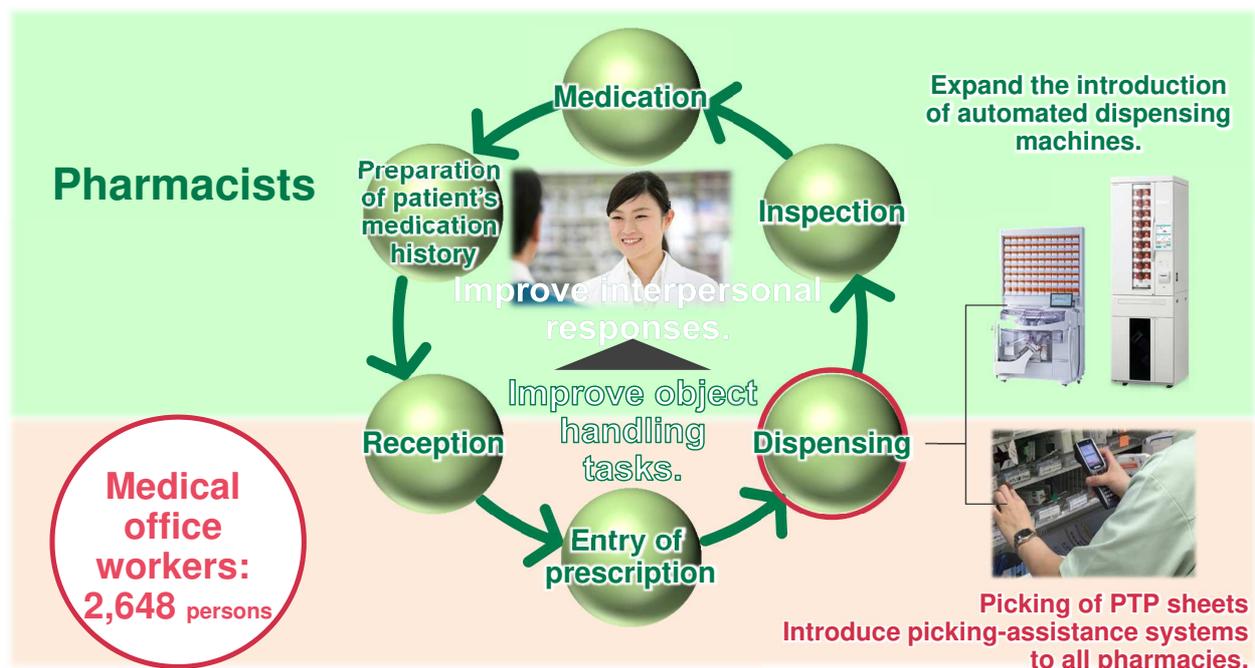


* Prepared based on the Outline of the "Pharmacy Vision for Patients" (issued on October 23, 2015)

Efficient Work Style for Pharmacists

Ministry of Health, Labour and Welfare: "Guideline for the Prescription Business" issued on April 2, 2019

Further **increase the handling of prescriptions** by improving efficiency in the tasks of the pharmacists through acceleration of **"task shift to non-pharmacists and automatization."**



Product sales business for patients at home starting from stores

Patients in private homes and nursing homes

For day service users

Apartment house for senior citizens

Housekeeping and home care for users

Medical materials



Medical Syringe catheter Pulse Oximeter

Nursing care goods, nursing food



Daily necessities and food







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Business development by expanding the health management solutions for corporate customers

Disease prevention: **Ill health before disease:** **Sickness:**

Company A

There are many employees suffering severe diseases (facing significant medical expenses).
Want to prevent the diseases from worsening.

Company B

There are many employees at disease risks (facing medical expenses at a moderate degree).
Want to reduce the risks of lifestyle-related diseases.

Company C

At present, there are more healthy employees, but there is a concern for the future (facing little medical expenses).
Want to maintain and improve health.

Company D ... **Company E** ...

Results of health
checkup; and
analyses of
receipt

Healthy	Health guidance	Recommend to consult a doctor	Medication and treatment
Obesity	Diet program	Sugi-suppo deli meal sets (for those suffering overweight)	Prevention of worsening of diseases
	Specific health guidance		Sugi-suppo deli meal sets (for patients of renal diseases)
	Prevention of inflow of metabolic syndrome and worsening of conditions (Metabolic risk reports)		
Nonobesity	No-smoking program		

Health consultation (first call)

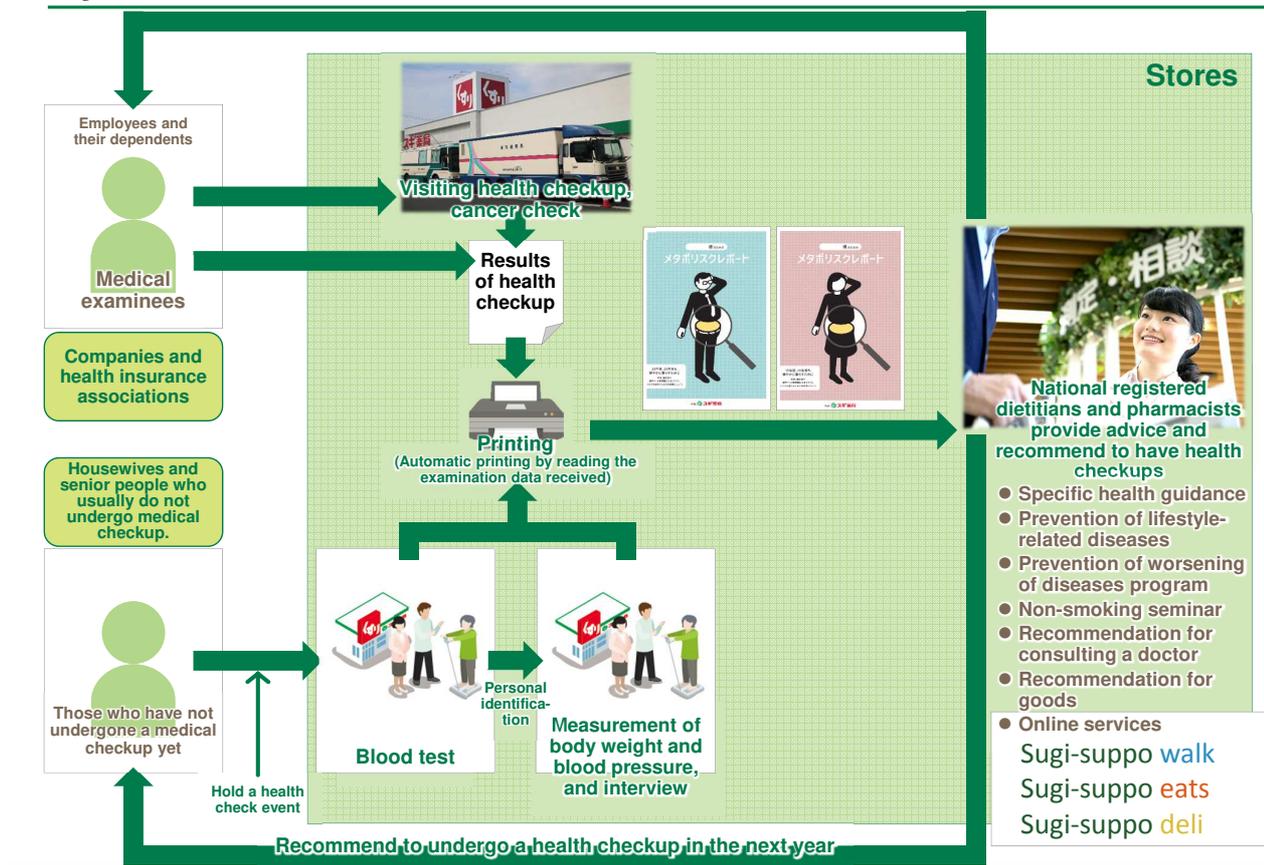
*Online consultation by doctors, pharmacists and national registered dietitians.

Online stress check, and on-line interview with industrial physicians

Control of exercise and diet (by Sugi-support app)
Medical checkup data management (Online Karte)

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Pharmacies' approach to the prevention of lifestyle-related diseases by means of blood data



SUGI PHARMACY Group

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.