

Financial Results

1st Quarter - FY Ending February 28, 2021

Supplementary Information

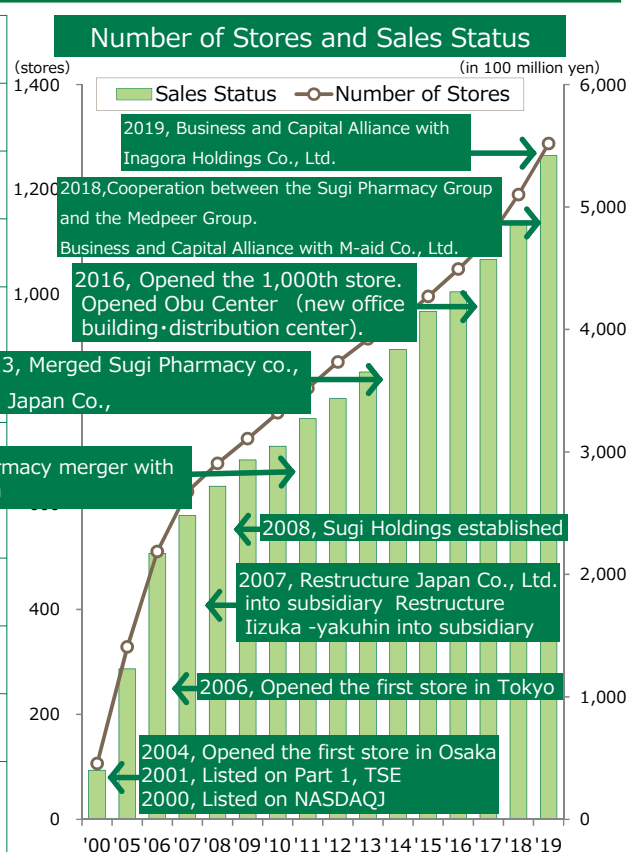
Securities ID Code: 7649, Part 1 of TSE and NSE

SUGI Holdings

June 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	JPY 15,434,588,000
Fiscal year-end	End of February
Number of shares outstanding	63,330,838 shares
Number of stores	1,319 (As of the end of May, 2020)
Number of employees	6,928 (full-time) (As of the end of May, 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



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Store Openings and Closings 1st Quarter - FY Ending February 28, 2021

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Store Openings and Closings

* Please note that "FY2020/2" and "FY 2021/2" in this presentation refers to the fiscal year ended in February 2020, and the fiscal year ended February 2021, respectively. The same notation is used in other pages.

1st Quarter : Opened 38 stores, closed 6 stores, increased 32 stores

Nos. of stores by region	FY2020/2 Full Year	FY2021/2 1st Quarter			Forecast after June 2020		FY 2021/2 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	344	9	0	353	22	4	31	4	+27	371
Chubu Region	479	9	3	485	29	6	38	9	+29	508
Hokuriku Region	13	8	0	21	14	0	22	0	+22	35
Kansai Region	451	12	3	460	17	4	29	7	+22	473
Total	1,287	38	6	1,319	82	14	120	20	+100	1,387

Nos. of stores by company	FY2020/2 Full Year	FY2021/2 1st Quarter			Forecast after June 2020		FY 2021/2 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	1,163	38	6	1,195	80	12	118	18	+100	1,263
Japan	113	0	0	113	0	1	0	1	-1	112
Visit Nursing Care ST	11	0	0	11	2	1	2	1	+1	12
Total	1,287	38	6	1,319	82	14	120	20	+100	1,387

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Financial Highlights 1st Quarter - FY Ending February 28, 2021 - Consolidated -

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1st Quarter Financial Highlight - Consolidated -

1st Quarter : Net sales (JPY149.9 billion) and Operating profit (JPY8.9 billion)

	FY Ended 2020/2 1Q (March to May)		FY Ending 2021/2 1Q (March to May)		
	Results (in million yen)	Ratio to Sales (%)	Results (in million yen)	Ratio to Sales (%)	Y o Y (%)
Net Sales	128,919	100.0	149,985	100.0	116.3
Sugi Pharmacy business	113,492	88.0	133,209	88.8	117.4
Japan business	14,632	11.3	15,655	10.4	107.0
Others	795	0.6	1,121	0.8	141.3
Gross Profit	37,998	29.5	44,168	29.4	116.2
Sugi Pharmacy business	34,441	30.3	39,909	30.0	115.9
Japan business	2,916	19.9	3,347	21.4	114.8
Others	641	80.6	912	81.4	142.5
SG&A Expenses	30,579	23.7	35,208	23.5	115.1
Operating Income	7,419	5.8	8,960	6.0	120.8
Non-operating Income	881	0.7	829	0.6	94.1
Non-Operating Expenses	392	0.3	522	0.3	133.2
Ordinary Income	7,908	6.1	9,267	6.2	117.2
Extraordinary Income	0	—	0	—	—
Extraordinary Losses	7	0.0	18	0.0	260.1
Net Income before Income Taxes	7,901	6.1	9,248	6.2	117.1
Income Taxes	2,626	2.0	3,055	2.0	116.3
Net Income	5,275	4.1	6,193	4.1	117.4

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

1st Quarter SG&A Expenses Status - Consolidated -

1st Quarter : Net sales increased up to 16.3%,total SG&A expenses increased up 15.1% year on year

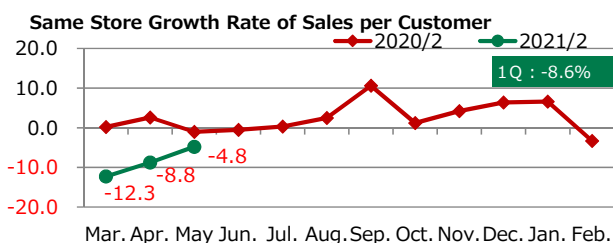
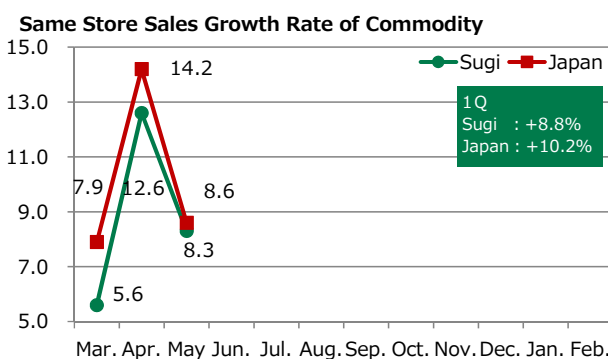
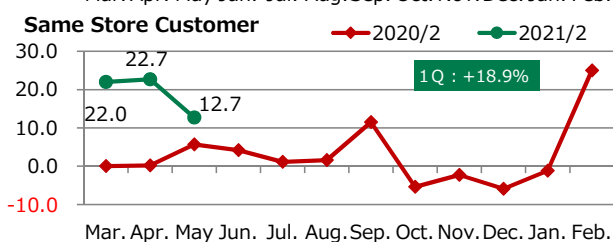
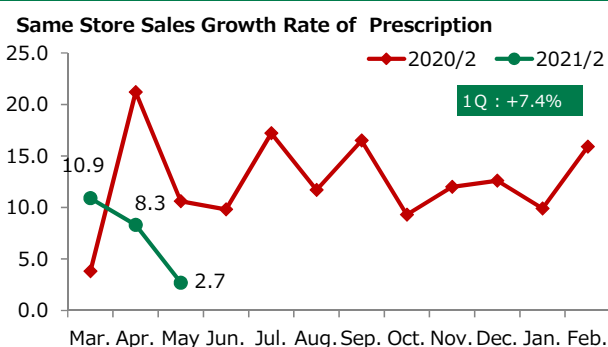
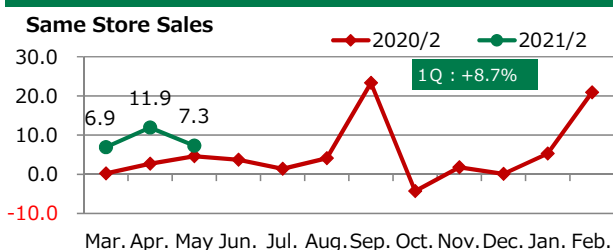
	FY Ended 2020/2 1Q (March to May)		FY Ending 2021/2 1Q (March to May)		
	Results (in million yen)	Ratio to Sales (%)	Results (in million yen)	Ratio to Sales (%)	Y o Y (%)
Net Sales	128,919	100.0	149,985	100.0	116.3
Total Selling Expenses	1,656	1.3	1,262	0.8	76.2
Advertising Expenses	1,071	0.8	755	0.5	70.5
Premium Expenses	584	0.5	507	0.3	86.7
Personnel Expenses	15,753	12.2	17,851	11.9	113.3
Total Administrative Expenses	13,169	10.2	16,093	10.7	122.2
Rent Expenses	5,906	4.6	7,278	4.9	123.2
Depreciation Expenses	1,868	1.4	2,245	1.5	120.2
Utilities Expenses	951	0.7	961	0.6	101.1
Supplies Expenses	955	0.7	1,227	0.8	128.5
Tax and Public Charges	867	0.7	1,171	0.8	135.1
Commission Paid	1,096	0.9	1,526	1.0	139.2
Others	1,523	1.2	1,682	1.1	110.4
Total SG&A Expenses	30,579	23.7	35,208	23.5	115.1

Sales Trend

1st Quarter - FY Ended February 28, 2021

Sales growth rate of existing stores- Sugi Group -

1st Quarter :Same store sales growth rate showed +8.7% (prescription;+7.4%, Sugi's commodity ;+8.8%, Japan's commodity;+10.2%), same store customer growth rate indicated +18.9%.



Sales Trend by Product Group - Sugi -

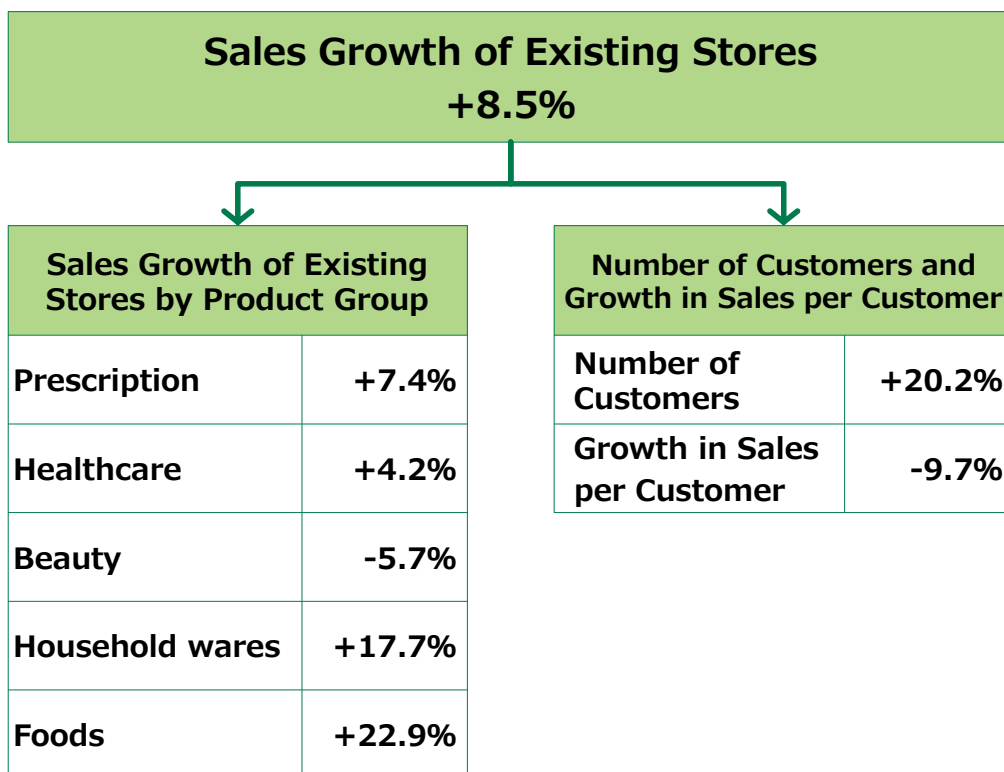
	Composition Ratio (%)		Sales Y o Y (%)	Gross Margin Rate (%)		Gross Margin Y o Y Difference (%)
	FY 2020/2 1Q	FY 2021/2 1Q		FY 2020/2 1Q	FY 2021/2 1Q	
	Results	Results		Results	Results	
Prescription	22.5	21.6	112.4	38.9	37.4	-1.5
Healthcare	21.5	20.7	113.0	39.5	39.6	+0.1
Beauty	20.9	18.1	101.9	29.9	30.9	+1.0
Household wares	18.3	19.8	127.0	22.5	23.4	+0.9
Foods	16.7	19.7	138.5	16.2	17.5	+1.3
Other	0.1	0.1	120.9	30.8	31.6	+0.8
Total	100.0	100.0	117.4	30.3	30.0	-0.3

Sales Trend by Product Group - Japan -

	Composition Ratio (%)		Sales Y o Y (%)	Gross Margin Rate (%)		Gross Margin Y o Y Difference (%)
	FY 2020/2 1Q	FY 2021/2 1Q		FY 2020/2 1Q	FY 2021/2 1Q	
	Results	Results		Results	Results	
Healthcare	9.0	9.6	113.7	36.9	37.7	+0.8
Beauty	7.3	7.1	104.2	27.7	28.5	+0.8
Household wares	18.5	19.6	113.5	23.8	24.0	+0.2
Foods	63.2	61.9	104.8	15.7	17.5	+1.8
Other	1.9	1.8	96.5	11.7	11.8	+0.1
Total	100.0	100.0	107.0	19.9	21.4	+1.5

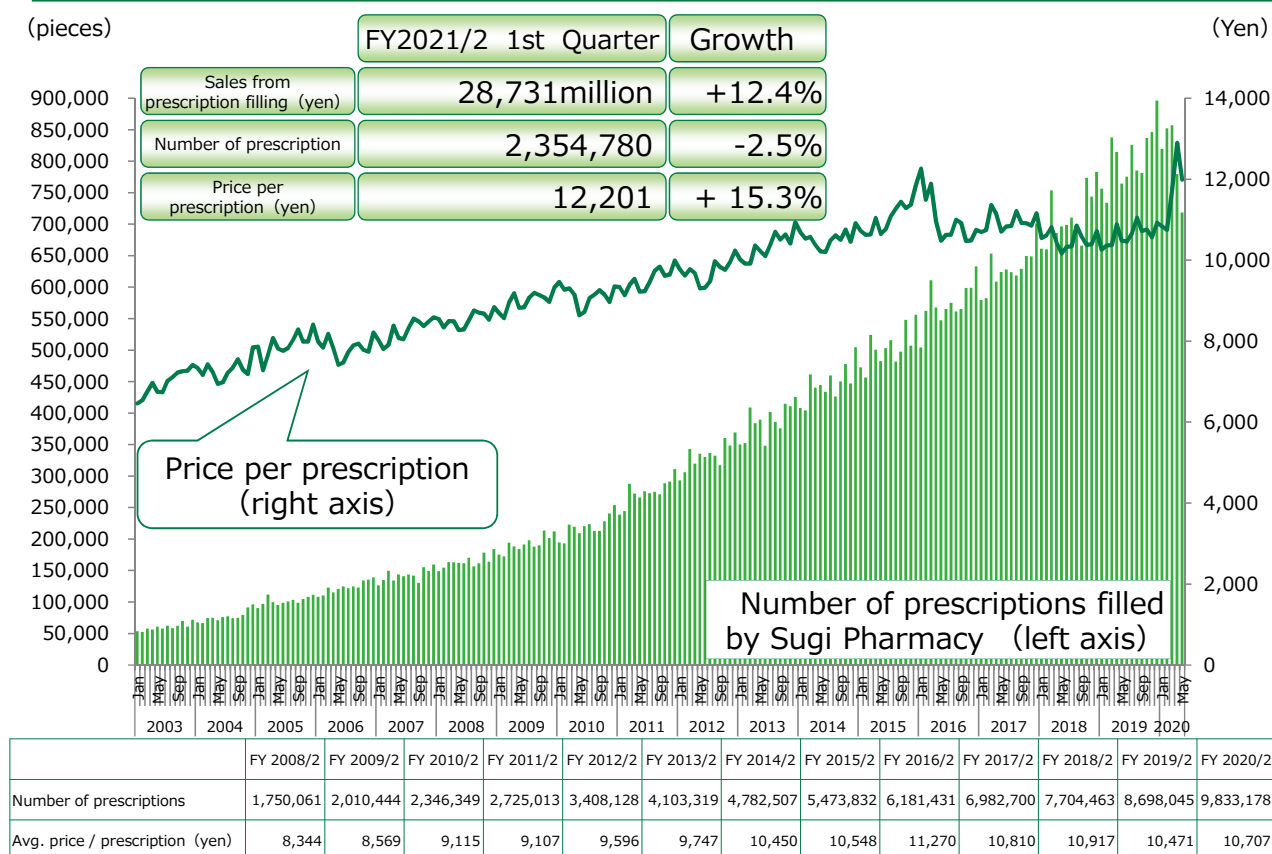
Sales Trend at Existing Stores- Sugi Pharmacy business -

1st Quarter :Existing store sales growth ratio indicated +8.5%



Medical Business of Sugi Group

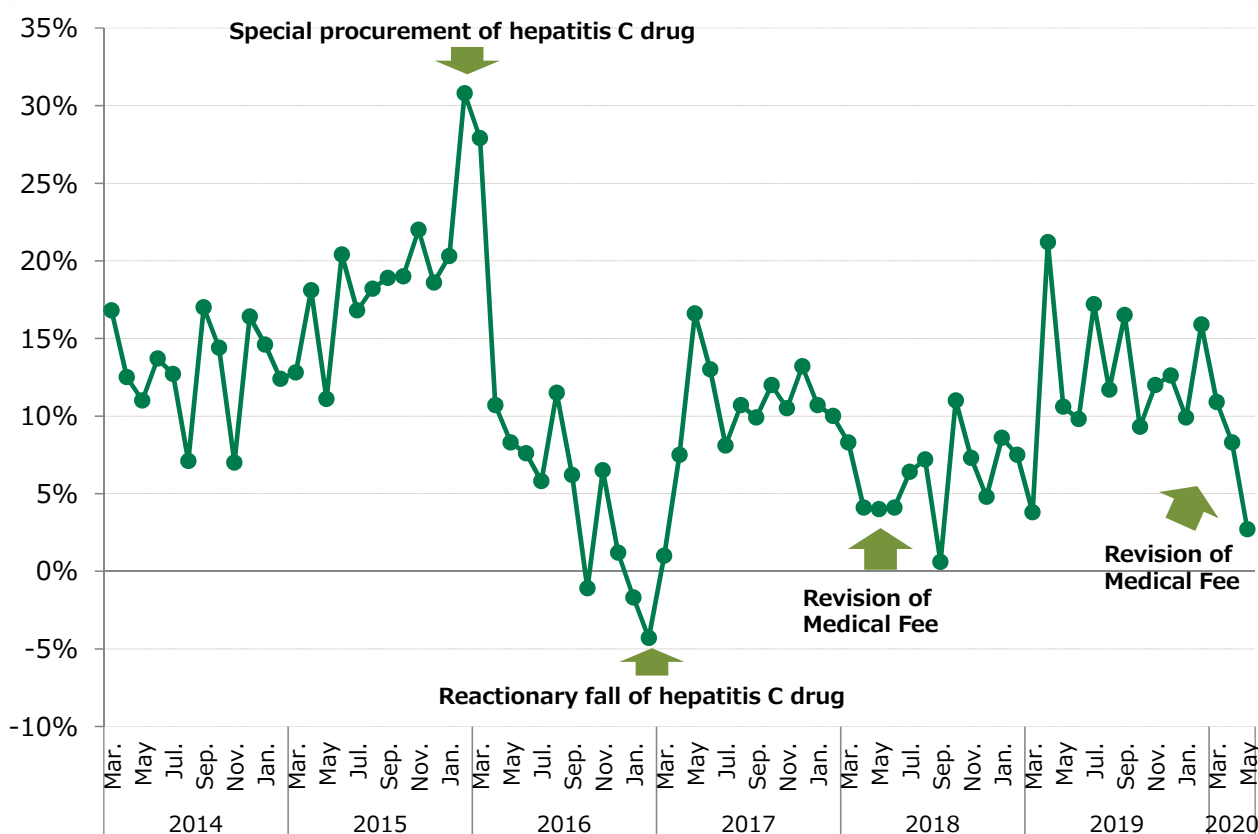
Trends in the Number of Prescriptions and Price per Prescription



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Same store growth rate of prescription sales

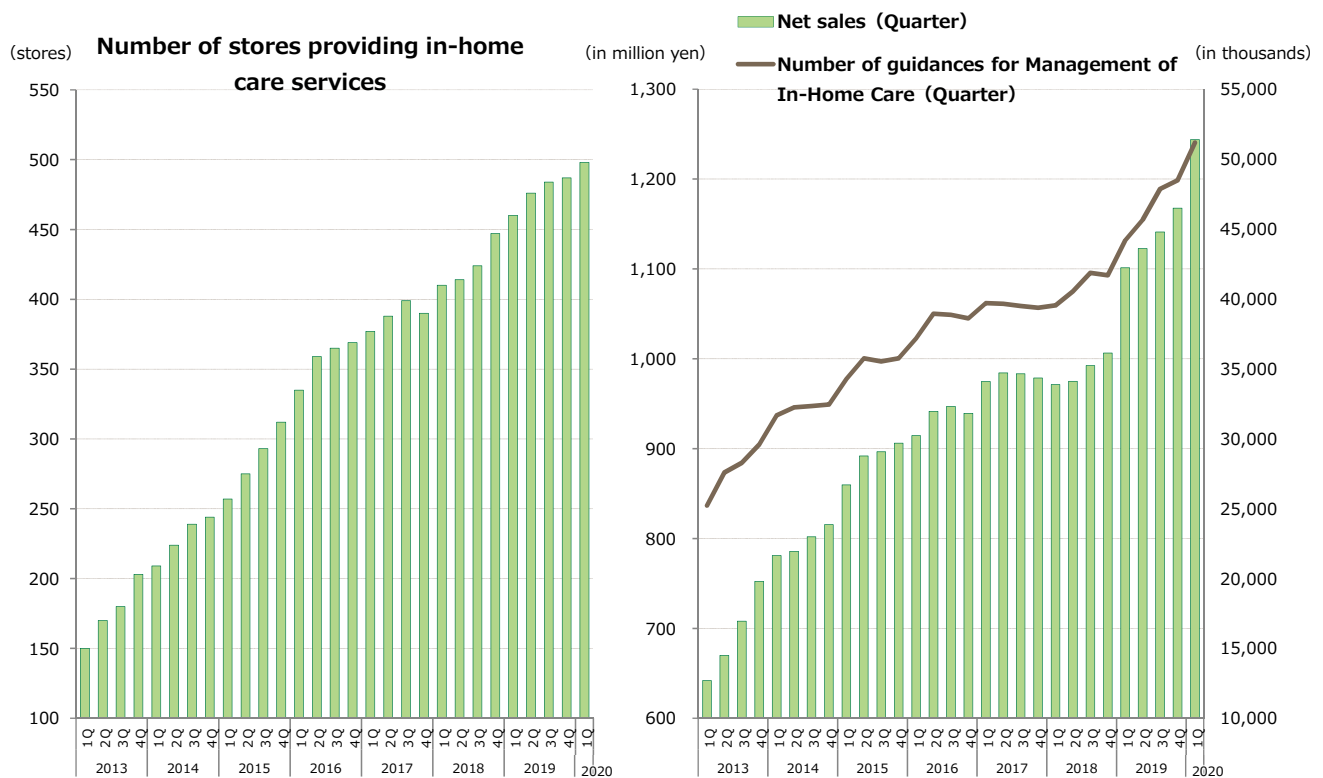


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In-home Medical Care Services – As of May. 31, 2020

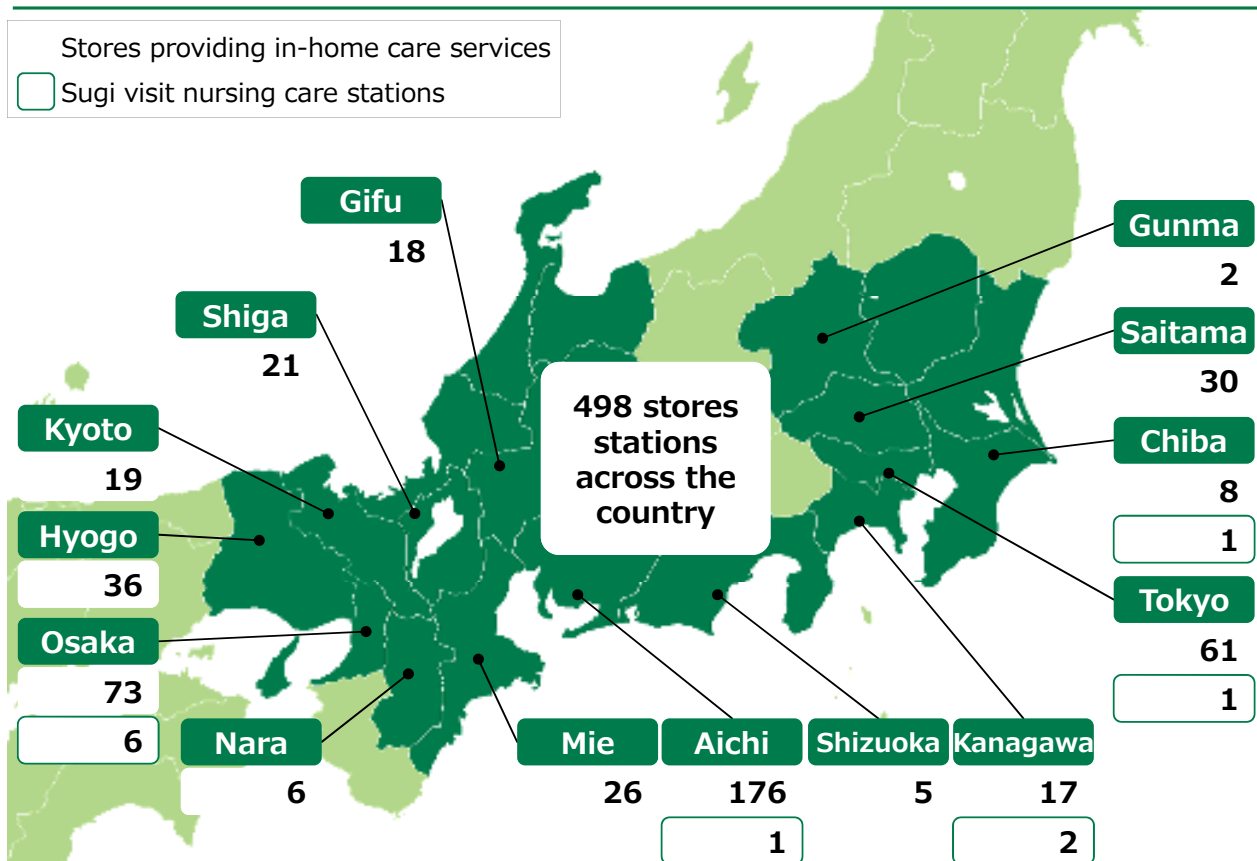
in-home medical care: JPY 1,243m (+12.9% Y o Y)



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Facilities Providing Comprehensive Medical Services to Local Communities



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Forecast for the Year Ending Feb.28, 2021

P/L Forecast for the Year Ending Feb. 28, 2021 - Consolidated -

FY 2021/2 : Net sales JPY600.0 billion, Operating profit JPY30.0 billion

(in million yen)	1st Half Year					2nd Half Year					Full Year				
	2020/2		2021/2			2020/2		2021/2			2020/2		2021/2		
	Results	Ratio (%)	Forecast	Ratio (%)	Y o Y (%)	Results	Ratio (%)	Forecast	Ratio (%)	Y o Y (%)	Results	Ratio (%)	Forecast	Ratio (%)	Y o Y (%)
Net Sales	263,701	100.0	301,000	100.0	114.1	278,263	100.0	299,000	100.0	107.5	541,964	100.0	600,000	100.0	110.7
Sugi Pharmacy	231,810	87.9	268,100	89.1	115.7	247,614	89.0	270,100	90.3	109.1	479,425	88.5	538,200	89.7	112.3
Japan	30,400	11.5	31,000	10.3	102.0	29,011	10.4	27,100	9.1	93.4	59,412	11.0	58,100	9.7	97.8
Others	1,492	0.6	1,900	0.6	127.4	1,637	0.6	1,800	0.6	110.0	3,128	0.6	3,700	0.6	118.3
Gross Margin	77,875	29.5	89,000	29.6	114.3	84,306	30.3	89,500	29.9	106.2	162,182	29.9	178,500	29.8	110.1
Sugi Pharmacy	70,651	30.5	81,100	30.2	114.8	76,945	31.1	82,700	30.6	107.5	147,596	30.8	163,800	30.4	111.0
Japan	6,098	20.1	6,500	21.0	106.6	6,090	21.0	5,500	20.3	90.3	12,189	20.5	12,000	20.7	98.4
Others	1,126	75.5	1,400	73.7	124.4	1,271	77.6	1,300	72.2	102.3	2,397	76.6	2,700	73.0	112.7
SG&A	63,098	23.9	72,500	24.1	114.9	69,321	24.9	76,000	25.4	109.6	132,420	24.4	148,500	24.8	112.1
Selling Expenses	3,584	1.4	4,200	1.4	117.2	4,106	1.5	4,800	1.6	116.9	7,690	1.4	9,000	1.5	117.0
Personnel Expenses	32,051	12.2	35,700	11.9	111.4	34,354	12.3	36,300	12.1	105.7	66,405	12.3	72,000	12.0	108.4
SG&A Expenses	27,463	10.4	32,600	10.8	118.7	30,860	11.1	34,900	11.7	113.1	58,323	10.8	67,500	11.3	115.7
Operating Profit	14,776	5.6	16,500	5.5	111.7	14,985	5.4	13,500	4.5	90.1	29,762	5.5	30,000	5.0	100.8
Ordinary Profit	15,664	5.9	17,000	5.6	108.5	15,835	5.7	14,500	4.8	91.7	31,473	5.8	31,500	5.3	100.1
Net Income	10,461	4.0	11,300	3.8	108.0	10,321	3.7	8,700	2.9	84.3	20,782	3.8	20,000	3.3	96.2

Preconditions of Forecasts for FY 2021/2

<Store Opening & Closing>

(Store)	Openings	Closings	Total
Sugi Pharmacy	118	20	+98
Japan	0		
Visit Nursing Care ST	2	0	+2
Group Total	120	20	+100

<Investment>

(in million yen)	Amount
New stores	20,500
Existing store refurbishment	2,000
Investment in systems and others	3,500
Group Total	26,000

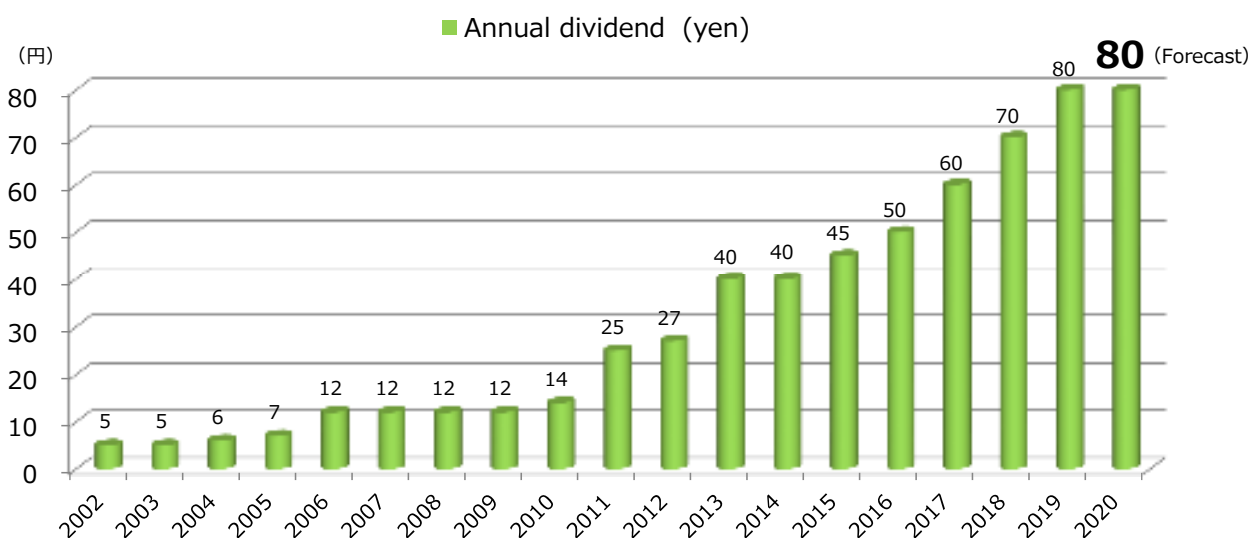
<Existing Stores Sales Growth>

(%)	Q1	Q2	Q3	Q4	1H	H2	Full Year
Sugi Pharmacy	108.5	103.9	101.8	100.9	106.1	101.3	103.7
Japan	110.2	100.0	95.7	94.6	104.9	95.1	100.1
Group Total	108.7	103.4	101.1	100.2	106.0	100.6	103.3

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%**.

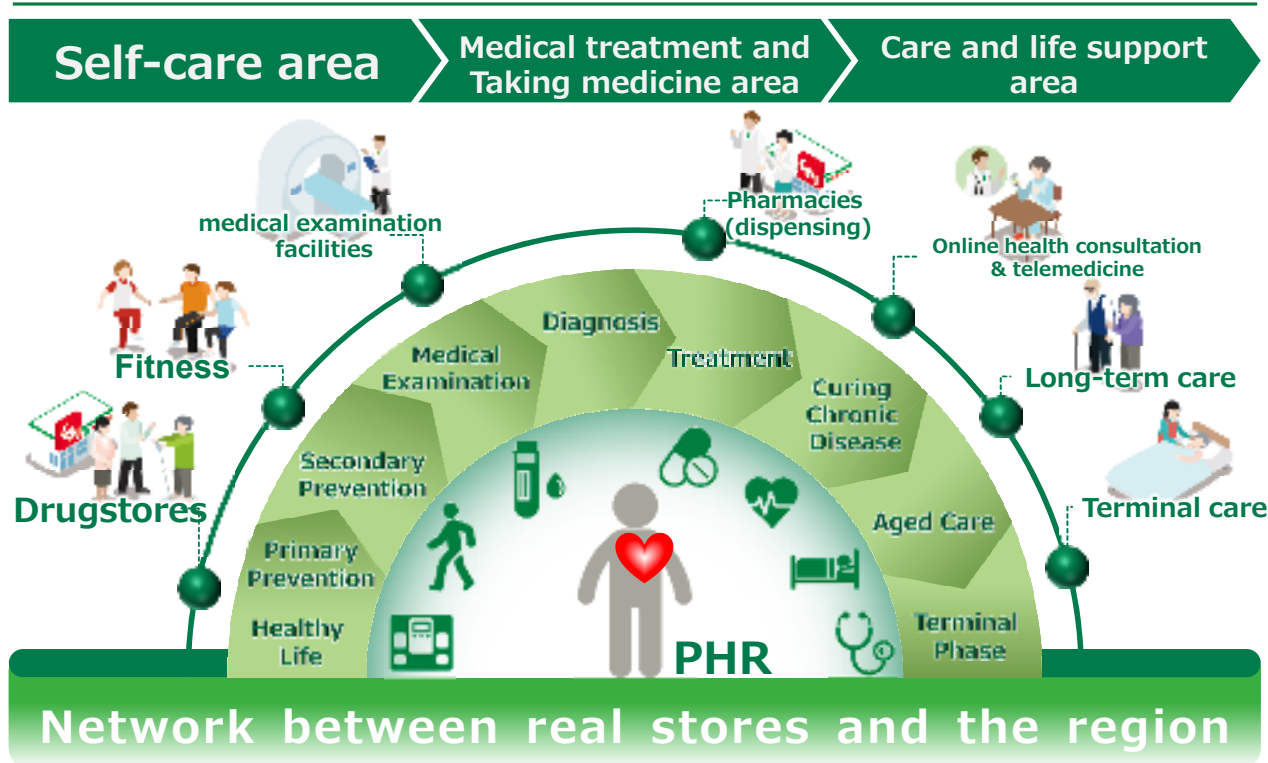


(%)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Payout ratio	18.7	11.1	14.1	14.7	9.8	13.9	13.5	19.8	19.7	19.5	21.2	23.1	24.3	23.8	24.7

(Forecast)

FY2020 Medium-term Management Plan

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



Outline of medium-term management plan

FY 2015 – FY 2017 Consolidation of our foundation and framework for growth		FY 2018 – FY 2019 Aggressive management approach		FY 2020 – FY 2022 Enhancement of our corporate value by maximizing customers' lifetime value	
Growth strategy	Reinforcement of our sales power	<ul style="list-style-type: none">- Reinforcing our operations in existing areas (opening stores, frequently-visited stores & experience-oriented stores, dispensing prescriptions)- Expanding into new growth areas (inbound tourists and overseas markets)			
	Reinforcement of management with the focus on customers' LTV LTV: Lifetime value	<ul style="list-style-type: none">- Proceeding with the Total Healthcare Strategy- Enhancing customers' LTV by integrating our physical and digital assets			
	Expansion of cooperation and collaboration	<ul style="list-style-type: none">- Concluding alliances and M&A transactions (within or outside the industry)- Optimizing the entire value chain process through information sharing			
Reinforcement of the management foundation	Promotion of DX in management DX: Digital transformation	<ul style="list-style-type: none">- Presenting new forms of customer experience through the use of digital technology- Optimizing our existing operations through the use of digital technology			
	Improvement of productivity	<ul style="list-style-type: none">- Opening new stores with high investment efficiency and renovating existing stores- Enhancing operational productivity (abolishing unnecessary tasks, employing part-time workers, and proceeding with automation)			
	Reinforcement of human resources and organizations	<ul style="list-style-type: none">- Employing and training human resources to make our stores even more robust and fostering key players who will underpin the next generation- Making our organizations more streamlined and less hierarchical toward increasing our productivity and expanding into new business fields			

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Medium-term management plan

FY 2023/2 : Net Sales 710.0 billion、Operating profit 37.0 billion (Profit rate 5.2%)

(in million yen)	FY2019 (2020/2)			FY2020 (2021/2)			FY2021 (2022/2)			FY2022 (2023/2)		
	Results	Ratio (%)	Y o Y (%)	Budget	Ratio (%)	Y o Y (%)	Plan	Ratio (%)	Y o Y (%)	Plan	Ratio (%)	Y o Y (%)
Net Sales	541,964	100.0	111.0	600,000	100.0	110.7	650,000	100.0	108.3	710,000	100.0	109.2
Gross Margin	162,182	29.9	114.0	178,500	29.8	110.1	194,500	29.9	109.0	213,000	30.0	109.5
SG&A	132,420	24.4	113.7	148,500	24.8	112.1	161,500	24.8	108.8	176,000	24.8	109.0
Operating Profit	29,762	5.5	115.3	30,000	5.0	100.8	33,000	5.1	110.0	37,000	5.2	112.1
Ordinary Profit	31,473	5.8	115.6	31,500	5.3	100.1	34,500	5.3	109.5	38,500	5.4	111.6
Net Income	20,782	3.8	115.8	20,000	3.3	96.2	22,000	3.4	110.0	24,500	3.5	111.4
Store Opening	116			120			120			120		
Store Closing	20			20			30			30		

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



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ESG management initiatives

< Sustainability Basic Policy >

The SUGI Pharmacy Group aims to contribute to the sustainable development of local communities through cooperation with stakeholders, in order to realize a vigorous society by seriously addressing a wide variety of environmental and social issues and increasing the number of healthy and energetic people through corporate activities.

<Relationship between Our Priority Issues and the SDGs>

Priority issues regarding sustainable corporate activities ※Relationship with management philosophy	Major efforts	Related SDGs
1 Creation of products and services that support perpetual healthy living ※「Each customer's happiness」	<ul style="list-style-type: none"> Development and provision of services to enhance people's health and welfare through integration of physical and digital assets Development and provision of value-added products to contribute to users' good health and high-quality lives Increase in customer satisfaction through the use of digital technology 	  
2 Development as a regional base that supports the safety and security of all people ※「Everyone's happiness」	<ul style="list-style-type: none"> Development of stores as the cornerstone of local residents' daily lives and local communities Development of stores that cater to local needs in the fields of medical care and welfare services Expansion of our service lineup and infrastructure in the age of the super-aging society Contributing to the enhancement of community safety and security 	    
3 Provision of a workplace environment where employees can work comfortably and play active roles ※「Each employee's happiness」	<ul style="list-style-type: none"> Realization of diversity in working styles Support for each employee to fully demonstrate his/her capabilities Employment support for senior citizens and the disabled Enhancement of employees' good health 	   
4 Efficient and environmentally friendly use of products and resources by eliminating overdo, waste and unevenness ※「Happiness of all people」	<ul style="list-style-type: none"> Reduction of waste products and returned goods by realizing efficient product procurement and efficient delivery methods in cooperation with business partners Development and sales of environmentally-friendly products Promotion of the use of reusable bags 	  

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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.

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