

# Financial Results

## 1st Half - FY Ending February 28, 2021

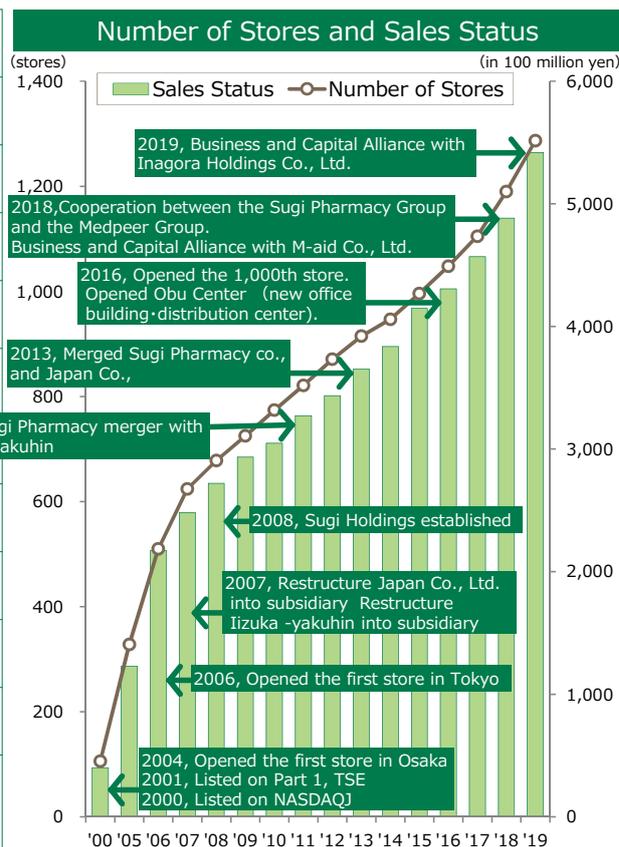
### Supplementary Information

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

SUGI Holdings  
September 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	1,340 (as of Aug, 2020)
Number of employees	6,897 (full-time) (as of Aug, 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 Half - 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 Half : Opened 64 stores, closed 11 stores, increased 53 stores

Nos. of stores by region	FY2020/2 Full Year	FY2021/2 1st Half		Forecast after September 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	16	1	359	16	3	32	4	+28	372
Chubu Region	479	14	5	488	23	4	37	9	+28	507
Hokuriku Region	13	12	0	25	9	0	21	0	+21	34
Kansai Region	451	22	5	468	8	2	30	7	+23	474
<b>Total</b>	<b>1,287</b>	<b>64</b>	<b>11</b>	<b>1,340</b>	<b>56</b>	<b>9</b>	<b>120</b>	<b>20</b>	<b>+100</b>	<b>1,387</b>

Nos. of stores by company	FY2020/2 Full Year	FY2021/2 1st Half		Forecast after September 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	62	9	1,216	54	9	116	18	+98	1,261
Japan	113	0	1	112	0	0	0	1	-1	112
Visit Nursing Care ST	11	2	1	12	2	0	4	1	+3	14
<b>Total</b>	<b>1,287</b>	<b>64</b>	<b>11</b>	<b>1,340</b>	<b>56</b>	<b>9</b>	<b>120</b>	<b>20</b>	<b>+100</b>	<b>1,387</b>

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

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# 1st Half Financial Highlight - Consolidated -

## 1st Half : Net sales (JPY302.5 billion) and Operating profit (JPY18.5 billion)

	FY Ended 2020/2 1H (March to August)		FY Ending 2021/2 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>263,701</b>	<b>100.0</b>	<b>302,598</b>	<b>100.0</b>	<b>100.5</b>	<b>1,598</b>	<b>114.8</b>
Sugi Pharmacy business	231,810	87.9	269,703	89.3	100.6	1,603	116.3
Japan business	30,400	11.5	30,965	10.2	99.9	-35	101.9
Others	1,492	0.6	1,930	0.6	101.6	30	129.4
<b>Gross Profit</b>	<b>77,875</b>	<b>29.5</b>	<b>89,790</b>	<b>29.7</b>	<b>100.9</b>	<b>790</b>	<b>115.3</b>
Sugi Pharmacy business	70,651	30.5	81,700	30.3	100.7	600	115.6
Japan business	6,098	20.1	6,625	21.4	101.9	125	108.6
Others	1,126	75.5	1,465	75.9	104.6	65	130.1
<b>SG&amp;A Expenses</b>	<b>63,098</b>	<b>23.9</b>	<b>71,282</b>	<b>23.6</b>	<b>98.3</b>	<b>-1,218</b>	<b>113.0</b>
<b>Operating Income</b>	<b>14,776</b>	<b>5.6</b>	<b>18,507</b>	<b>6.1</b>	<b>112.2</b>	<b>2,007</b>	<b>125.2</b>
Non-operating Income	1,647	0.6	1,698	0.6	113.2	198	103.1
Non-Operating Expenses	759	0.3	1,012	0.3	101.3	12	133.3
<b>Ordinary Income</b>	<b>15,664</b>	<b>5.9</b>	<b>19,193</b>	<b>6.3</b>	<b>112.9</b>	<b>2,193</b>	<b>122.5</b>
Extraordinary Income	0	-	0	0.0	-	0	-
Extraordinary Losses	7	0.0	434	0.1	217.3	234	6,093.5
<b>Net Income before Income Taxes</b>	<b>15,657</b>	<b>5.9</b>	<b>18,758</b>	<b>6.2</b>	<b>111.7</b>	<b>1,958</b>	<b>119.8</b>
Income Taxes	5,195	2.0	6,203	2.0	112.8	703	119.4
<b>Net Income</b>	<b>10,461</b>	<b>4.0</b>	<b>12,555</b>	<b>4.1</b>	<b>111.1</b>	<b>1,255</b>	<b>120.0</b>

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 13.0% year on year

	FY Ended 2020/2 1H (March to August)		FY Ending 2021/2 1H (March to August)		Y o Y
	Results (in million yen)	Ratio to Sales (%)	Results (in million yen)	Ratio to Sales (%)	
<b>Net Sales</b>	<b>263,701</b>	<b>100.0</b>	<b>302,598</b>	<b>100.0</b>	<b>114.8</b>
<b>Total Selling Expenses</b>	<b>3,584</b>	<b>1.4</b>	<b>3,016</b>	<b>1.0</b>	<b>84.2</b>
Advertising Expenses	2,241	0.8	1,730	0.6	77.2
Premium Expenses	1,343	0.5	1,286	0.4	95.8
<b>Personnel Expenses</b>	<b>32,051</b>	<b>12.2</b>	<b>35,917</b>	<b>11.9</b>	<b>112.1</b>
<b>Total Administrative Expenses</b>	<b>27,463</b>	<b>10.4</b>	<b>32,347</b>	<b>10.7</b>	<b>117.8</b>
Rent Expenses	12,167	4.6	14,687	4.9	120.7
Depreciation Expenses	3,858	1.5	4,654	1.5	120.6
Utilities Expenses	2,059	0.8	2,125	0.7	103.2
Supplies Expenses	1,948	0.7	2,119	0.7	108.8
Tax and Public Charges	1,748	0.7	2,263	0.7	129.4
Commission Paid	2,515	1.0	3,229	1.1	128.4
Others	3,164	1.2	3,266	1.1	103.2
<b>Total SG&amp;A Expenses</b>	<b>63,098</b>	<b>23.9</b>	<b>71,282</b>	<b>23.6</b>	<b>113.0</b>

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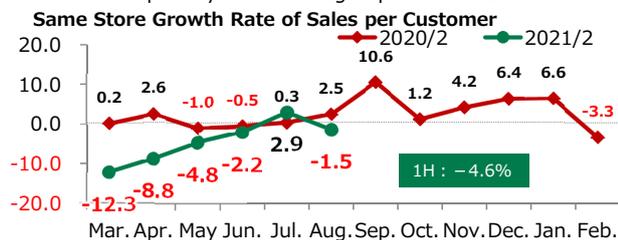
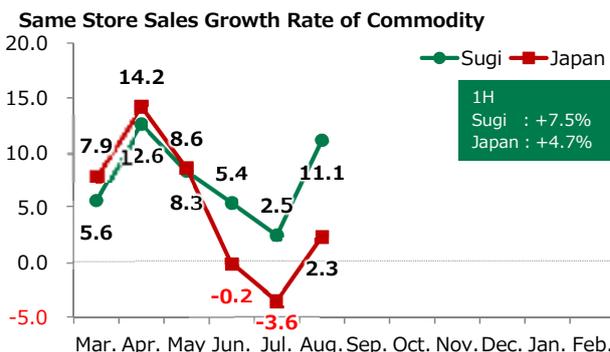
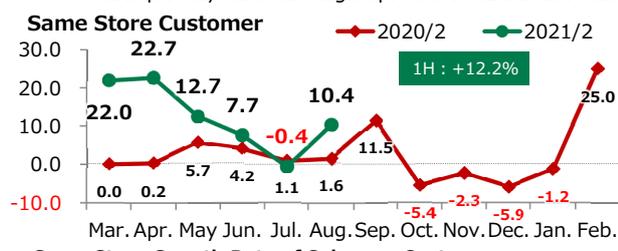
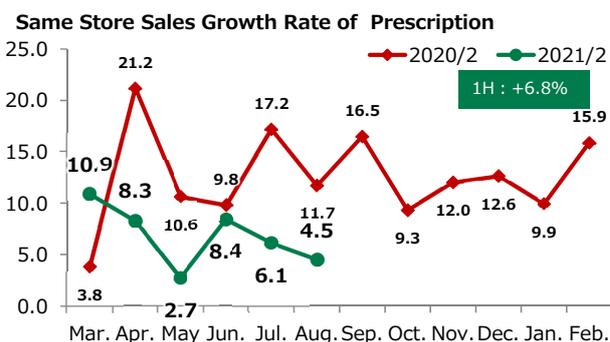
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# Sales Trend

## 1st Half - FY Ended February 28, 2021

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

1st Half : Same store sales growth rate showed +7.1% (prescription; +6.8%, Sugi's commodity ; +7.5%, Japan's commodity; +4.7%), same store customer growth rate indicated +12.2%.



## 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 2020/2 1H	FY 2021/2 1H				FY 2020/2 1H	FY 2021/2 1H			
	Results	Budget	Results			Results	Budget	Results		
Prescription	22.1	21.4	21.2	99.9	112.0	38.9	37.6	38.4	+0.8	-0.5
Healthcare	20.6	20.1	21.1	105.8	119.2	39.5	39.7	38.7	-1.0	-0.8
Beauty	21.2	19.8	18.4	93.5	101.1	30.6	31.4	31.3	-0.1	+0.7
Household wares	18.9	19.7	20.2	103.3	124.4	23.6	23.7	24.2	+0.5	+0.6
Foods	17.1	18.9	18.9	100.6	128.6	16.3	17.5	17.3	-0.2	+1.0
Other	0.1	0.1	0.1	102.6	114.0	31.8	32.8	31.1	-1.7	-0.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.6</b>	<b>116.3</b>	<b>30.5</b>	<b>30.2</b>	<b>30.3</b>	<b>+0.1</b>	<b>-0.2</b>

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## Sales Trend by Product Group - Japan -

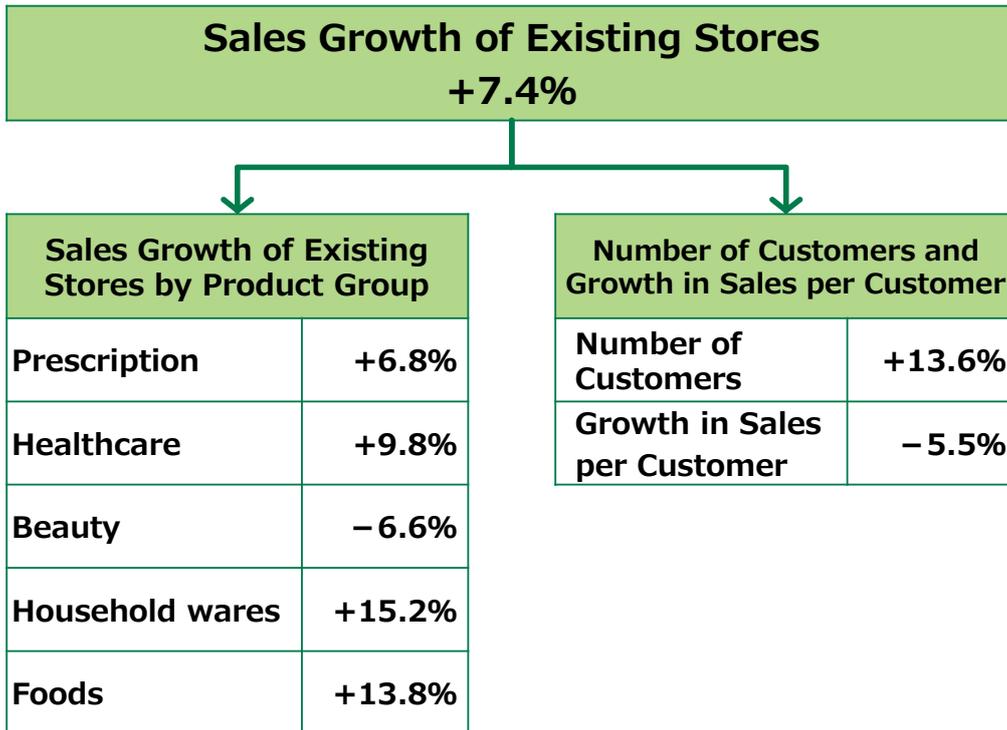
	Composition Ratio			Sales % vs. Budget	Sales % Y o Y	Gross Margin Rate			Gross Margin % vs. Budget	Gross Margin % vs. Y o Y
	FY 2020/2 1H	FY 2021/2 1H				FY 2020/2 1H	FY 2021/2 1H			
	Results	Budget	Results			Results	Budget	Results		
Healthcare	8.7	9.1	10.1	110.0	117.7	36.1	37.0	36.7	-0.3	+0.6
Beauty	7.5	7.5	7.5	100.1	102.3	28.7	28.8	28.8	+0.0	+0.1
Household wares	19.1	19.3	20.3	105.0	108.2	24.4	24.8	24.6	-0.2	+0.2
Foods	62.8	62.3	60.4	96.9	98.0	15.7	16.7	17.1	+0.4	+1.4
Other	1.9	1.8	1.7	96.8	90.6	11.7	12.0	12.1	+0.1	+0.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>99.9</b>	<b>101.9</b>	<b>20.1</b>	<b>21.0</b>	<b>21.4</b>	<b>+0.4</b>	<b>+1.3</b>

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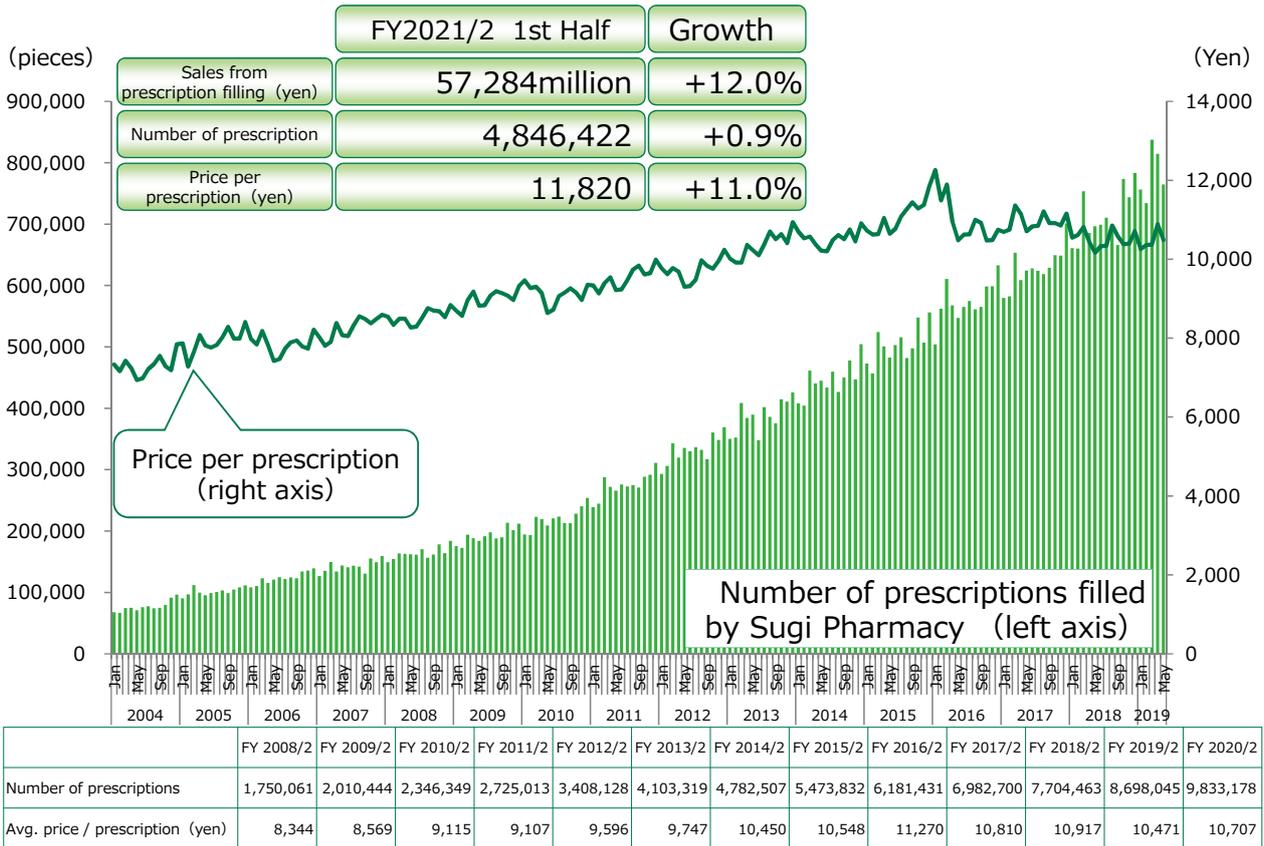
# Sales Trend at Existing Stores- Sugi Pharmacy business -

1st Half : Existing store sales growth ratio indicated +7.4%



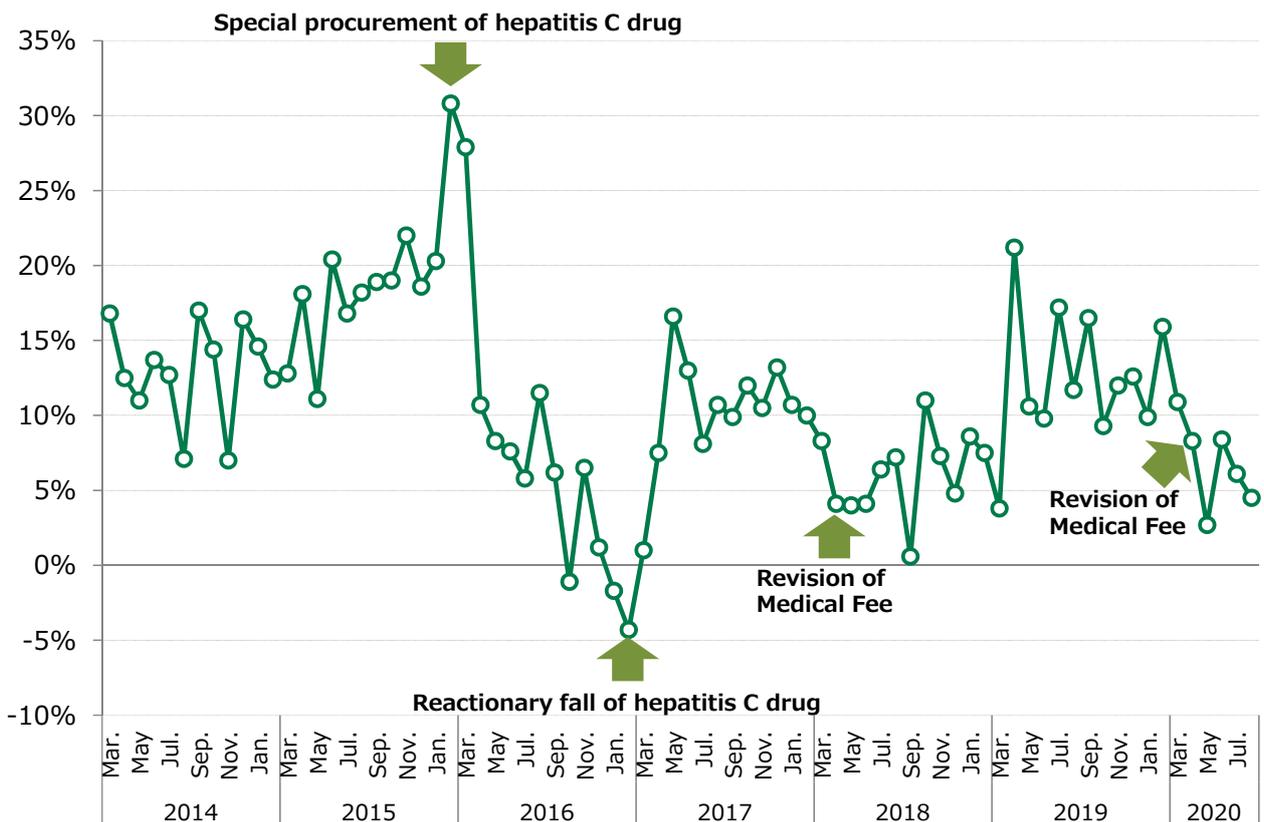
## Medical Business of Sugi Group

# Trends in the Number of Prescriptions and Price per Prescription



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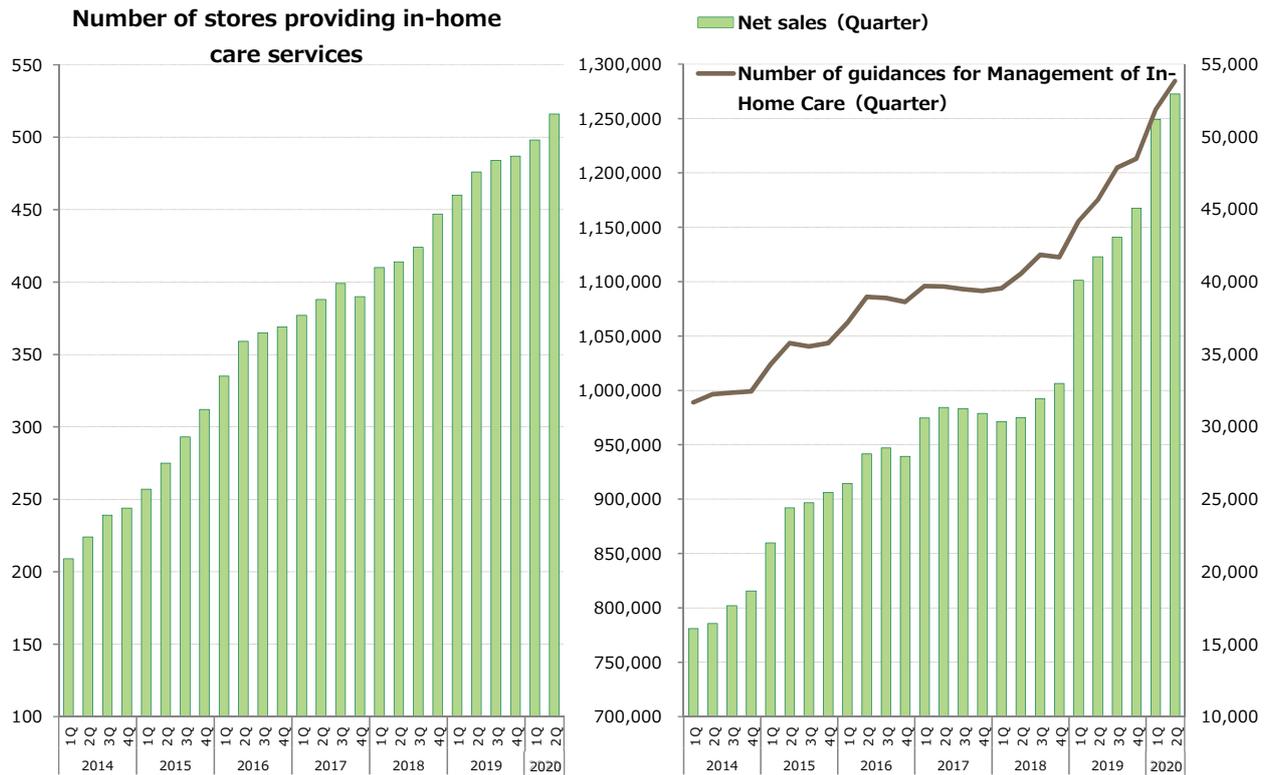
# Same store growth rate of prescription sales



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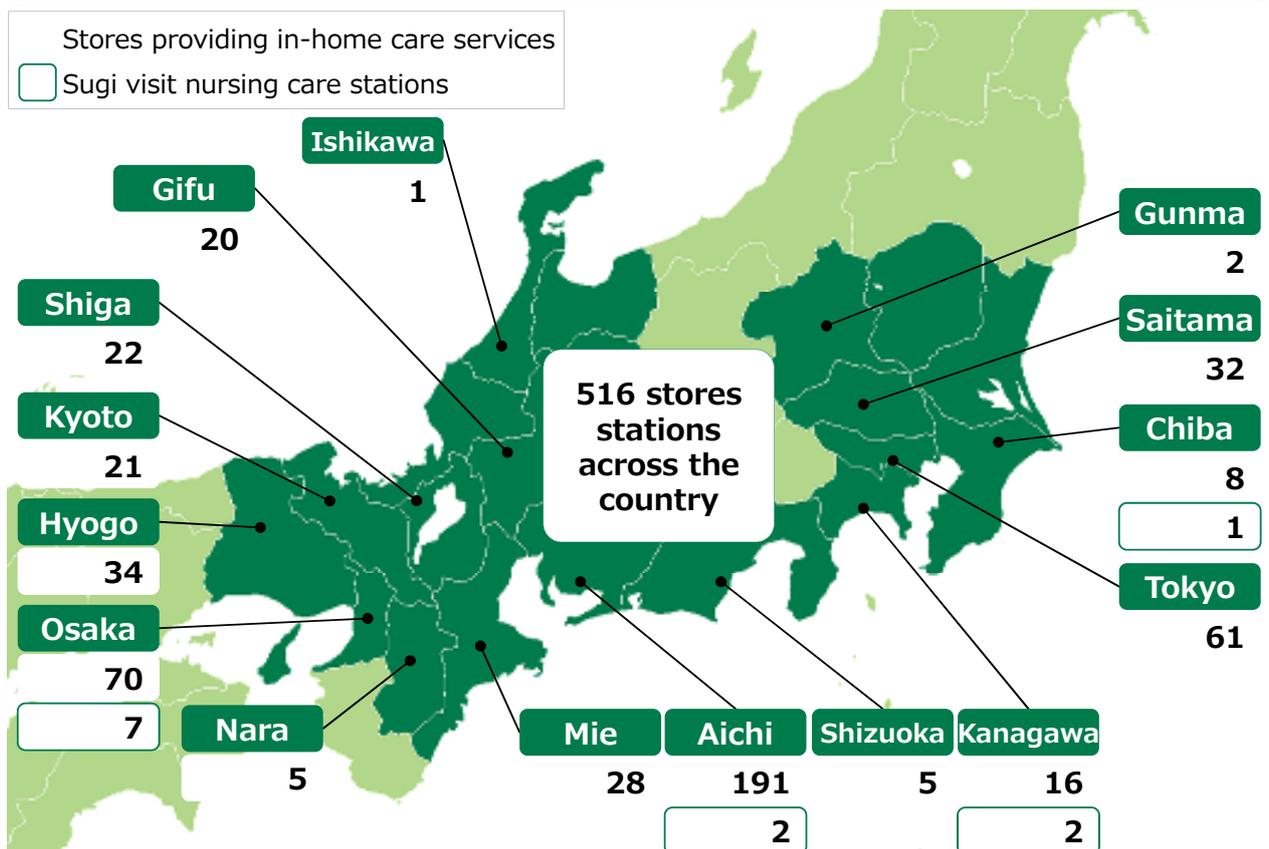
# In-home Medical Care Services – As of Aug. 31, 2020

**in-home medical care: JPY 2,521m (+13.4% Y o Y)**



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## Facilities Providing Comprehensive Medical Services to Local Communities



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# Progress of medium-term management plan

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

# Medium-term management plan – growth strategy –

Medium-term management plan	Progress in the first half and major initiatives in the second half
<p><b>Reinforcement of our sales power</b></p> <ul style="list-style-type: none"> <li>Reinforcing our operations in existing areas (opening stores, frequently-visited stores &amp; experience-oriented stores, dispensing prescriptions)</li> <li>Expanding into new growth areas (inbound tourists and overseas markets)</li> </ul>	<ul style="list-style-type: none"> <li>New store opening (64 stores in the first half → 56 stores in the second half)</li> <li>Increased deployment of frequently-visited stores</li> <li>Cancellation of initiatives for inbound tourists</li> </ul>
<p><b>Reinforcement of Management with the focus on customers' LTV</b></p> <ul style="list-style-type: none"> <li>Proceeding with the Total Healthcare Strategy</li> <li>Enhancing customers' LTV by integrating our physical and digital assets</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of follow-up support by pharmacists (introduction of kakari)</li> <li>Start of online medication guidance</li> <li>Expansion of lifestyle disease reports</li> <li>Sugi Pharmacy App downloads: 4.73 million (+1.23 million in the first half)</li> <li>Sugisapo walk downloads: 1.07 million (+0.48 million in the first half)</li> <li>※The number of downloads is as of the end of August 2020.</li> <li>Start of integrated database utilization from the second half</li> </ul>
<p><b>Expansion of cooperation and collaboration</b></p> <ul style="list-style-type: none"> <li>Concluding alliances and M&amp;A transactions (within or outside the industry)</li> <li>Optimizing the entire value chain process through information sharing</li> </ul>	<ul style="list-style-type: none"> <li>Business alliance with PRIVENT Co., Ltd.</li> <li>Reduction of waste by coordinating sales plans with partner companies</li> <li>Maximize sales by sharing sales plans early and reinforcing sales efforts</li> </ul>

# Medium-term management plan – Reinforcement of the management foundation –

Reinforcement of the management foundation	Progress in the first half and major initiatives in the second half
<p><b>Promotion of DX in Management</b></p> <ul style="list-style-type: none"> <li>Presenting new forms of customer experience through the use of digital technology</li> <li>Optimizing our existing operations through the use of digital technology</li> </ul>	<ul style="list-style-type: none"> <li>Reinforcement manufacturers' efforts by utilizing SNS / ID-POS data</li> <li>DX conversion of beauty business (digitization of ledger, SNS marketing, etc.)</li> <li>Improving the efficiency of various operations by introducing new terminals used in stores</li> <li>Preparing for deployment to optimize merchandising operations by utilizing AI</li> </ul>
<p><b>Improvement of Productivity</b></p> <ul style="list-style-type: none"> <li>Opening new stores with high investment efficiency and renovating existing stores</li> <li>Enhancing operational productivity (abolishing unnecessary tasks, employing part-time workers, and proceeding with automation)</li> </ul>	<ul style="list-style-type: none"> <li>Increasing the ratio of unoccupied stores in store openings</li> <li>&lt;Store&gt;</li> <li>Refinement of staffing by day / time zone</li> <li>Reduction of overtime work</li> <li>&lt; Headquarters &gt;</li> <li>Mechanization (RPA, etc.) / Paperless / Review of business trips and meetings</li> </ul>
<p><b>Reinforcement of human resources and organizations</b></p> <ul style="list-style-type: none"> <li>Employing and training human resources to make our stores even more robust and fostering key players who will underpin the next generation</li> <li>Making our organizations more streamlined and less hierarchical toward increasing our productivity and expanding into new business fields</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of interpersonal work by pharmacists</li> <li>Development of human resources who will lead the next generation by being seconded to seconding to other companies such as IT company</li> <li>Consolidation of organizations, promotion of multitasking, reduction of unreasonableness / inconsistency / waste</li> </ul>

# 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.