

# **Financial Results**

## **1st Half - FY Ending February 29, 2024**

### **Supplementary Information**

**Securities ID Code: 7649, TSE PRIME , NSE PREMIER**

**SUGI Holdings**

September 26, 2023

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# Financial Highlights 1st Half - FY Ending February 29, 2024 - Consolidated -

(Note)

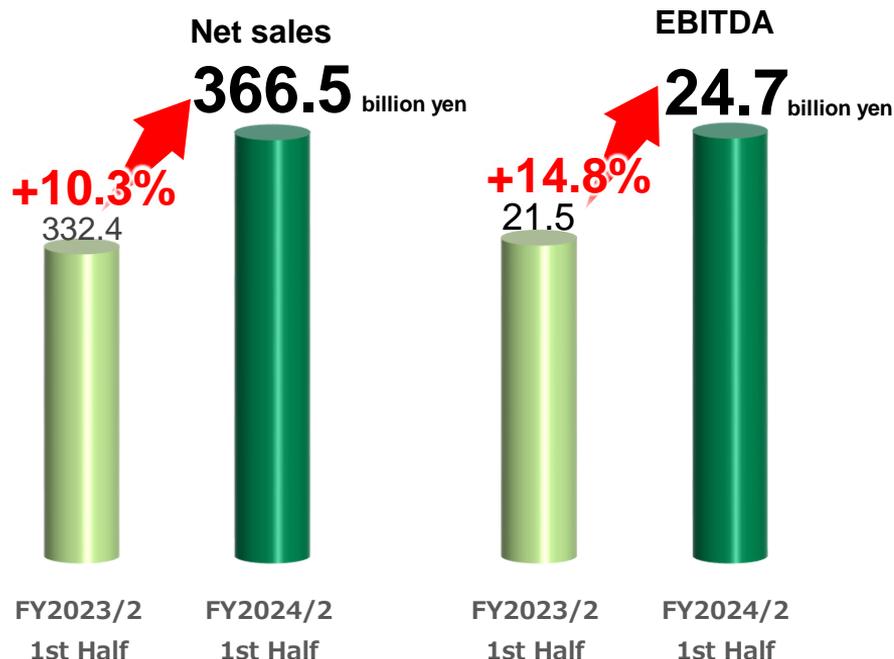
Sugi Holdings Co., Ltd. has changed its accounting standards to include the impact of the "Accounting Standard for Revenue Recognition" in each product sales from the first quarter of the current consolidated accounting period.

For this reason, this report has been prepared by retroactively applying the revised standard to the first half results for the previous and current fiscal years.

The changes in the previous year's results applicable to the above are underlined in red.

# Financial results highlight

Sales and profits continue to increase due to strong sales of goods and dispensing.



(Note)

EBITDA: Ordinary income + Depreciation and amortization + Amortization of goodwill + Interest expense - Interest income

## Summary of businesses

- Sales of goods: Demand for going out and food continues to increase, and sales of related products also increase. Sales of seasonal products also increased due to the hot summer.
- Prescription: Increase in the number of prescriptions due to the spread of new coronavirus infections in addition to hay fever, colds, and influenza outbreaks.

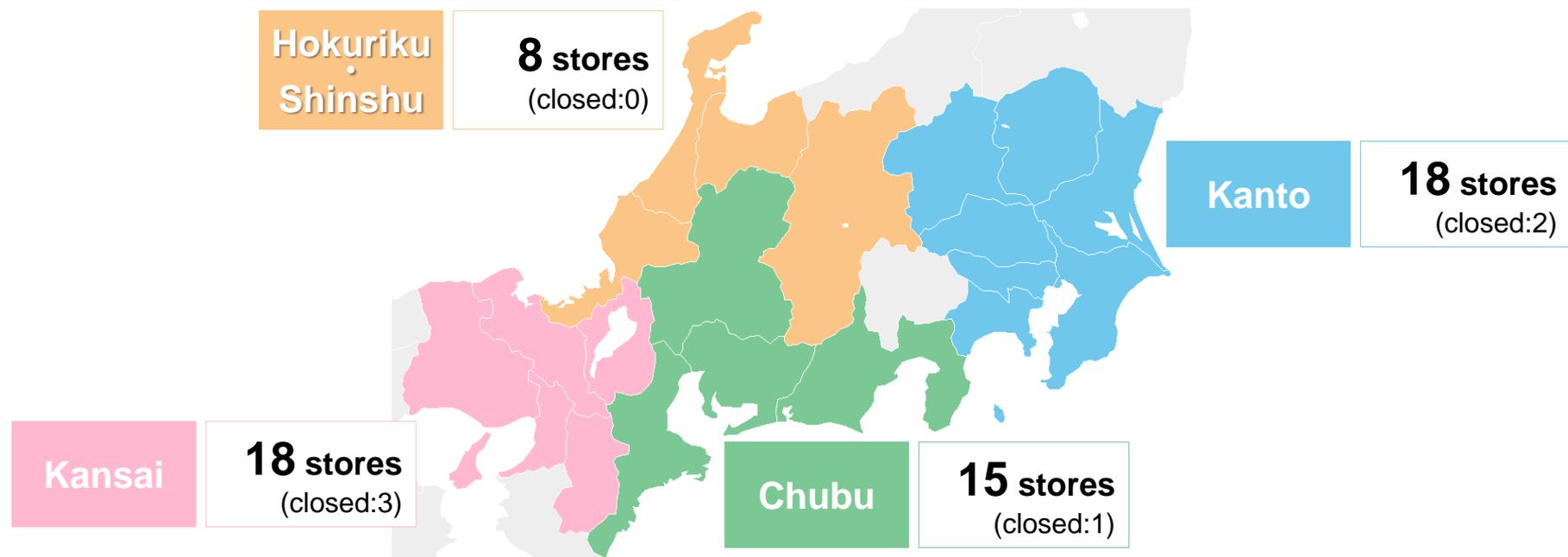
## Topics

- Reinforcement of renovations to revitalize existing stores.
- Actively hiring qualified personnel to accommodate scale expansion.
- Started opening additional stores in urban areas to capture recovering inbound demand.

# 1st Half Financial Highlight - Consolidated -

	FY Ending 2023/2 1H(March to August)		FY Ending 2024/2 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>332,411</b>	<b>100.0</b>	<b>366,564</b>	<b>100.0</b>	<b>101.3</b>	<b>4,564</b>	<b>110.3</b>
Prescription	70,404	21.2	77,809	21.2	102.5	1,899	110.5
Product Sales	<u>259,493</u>	<u>78.1</u>	286,362	78.1	101.1	3,247	110.4
Others	<u>2,512</u>	<u>0.8</u>	2,392	0.7	80.4	-583	95.2
<b>Gross Profit</b>	<b>98,301</b>	<b>29.6</b>	<b>109,860</b>	<b>30.0</b>	<b>102.5</b>	<b>2,660</b>	<b>111.8</b>
Prescription	26,737	38.0	29,137	37.4	102.4	685	109.0
Product Sales	<u>70,594</u>	<u>27.2</u>	79,489	27.8	101.4	1,114	112.6
Others	<u>968</u>	<u>38.6</u>	1,232	51.5	330.6	859	127.3
<b>SG&amp;A Expenses</b>	<b>82,845</b>	<b>24.9</b>	<b>92,573</b>	<b>25.3</b>	<b>101.5</b>	<b>1,373</b>	<b>111.7</b>
<b>Operating Income</b>	<b>15,455</b>	<b>4.6</b>	<b>17,287</b>	<b>4.7</b>	<b>108.0</b>	<b>1,287</b>	<b>111.9</b>
Non-Operating Income	1,423	0.4	1,962	0.5	115.4	262	137.8
Non-Operating Expenses	1,208	0.4	1,124	0.3	112.5	124	93.1
<b>Ordinary Income</b>	<b>15,670</b>	<b>4.7</b>	<b>18,124</b>	<b>4.9</b>	<b>108.5</b>	<b>1,424</b>	<b>115.7</b>
Extraordinary Income	0	0.0	0	0.0	—	0	—
Extraordinary Losses	2,308	0.7	2,864	0.8	143.2	864	124.1
<b>Net Income before Income Taxes</b>	<b>13,361</b>	<b>4.0</b>	<b>15,260</b>	<b>4.2</b>	<b>103.8</b>	<b>560</b>	<b>114.2</b>
Income Taxes	4,384	1.3	4,995	1.4	96.1	-205	113.9
<b>Net Income</b>	<b>8,977</b>	<b>2.7</b>	<b>10,265</b>	<b>2.8</b>	<b>108.1</b>	<b>765</b>	<b>114.3</b>
<b>EBITDA</b>	<b>21,551</b>	<b>6.5</b>	<b>24,733</b>	<b>6.7</b>	<b>106.1</b>	<b>1,428</b>	<b>114.8</b>

# New store openings



## Summary

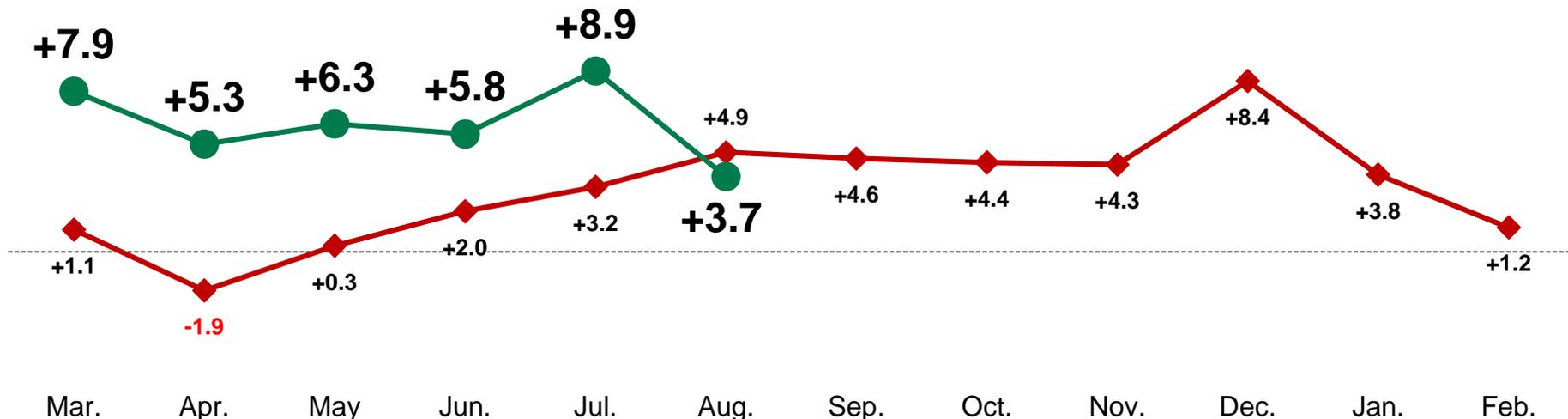
- As a result of opening 59 stores and closing 6 stores, the total number of stores as of the end of August was 1,618.
- As of the end of May, the number of stores in each area was 441 in Kanto, 564 in Chubu, 545 in Kansai, and 68 in Hokuriku/Shinshu.
- As a result of the opening of new stores, the percentage of stores with dispensing facilities was 82.6% (Sugi Pharmacy business only).

# The Group's existing stores sales growth rate

Q2 (Jun. to Aug.): +6.1%

◆ FY ended Feb. 2023 ● FY ended Feb. 2024

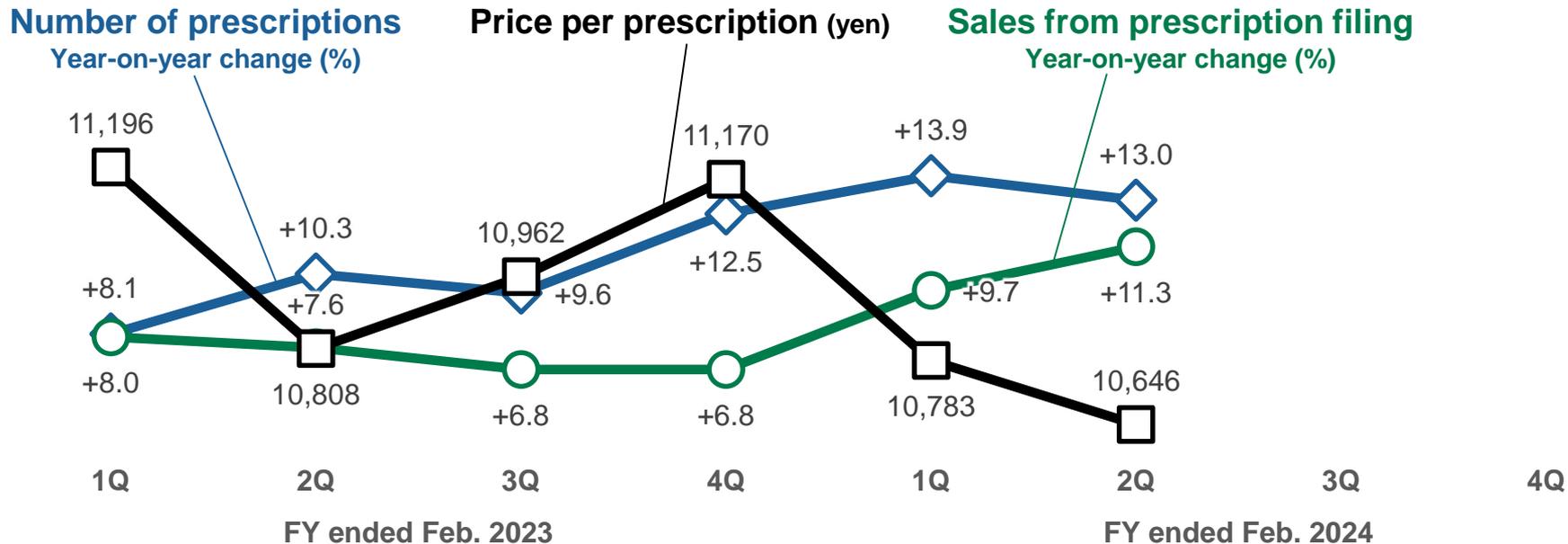
(%)



## Summary

- Net sales (up 6.3% year on year) : Both product sales and dispensing remained in positive territory due to the uptake of demand for outings and the prevalence of acute illnesses centering on the common cold.
- Number of customers (down 8.9% year on year) : Continued impact of revision of sales promotion measures implemented from September 2022.
- Sales per customer (up 16.7% year on year) : Continued increase in the number of items purchased as a result of revised sales promotion measures and higher unit price per item due to the impact of inflation.

# Changes in the number of prescriptions and price per prescription

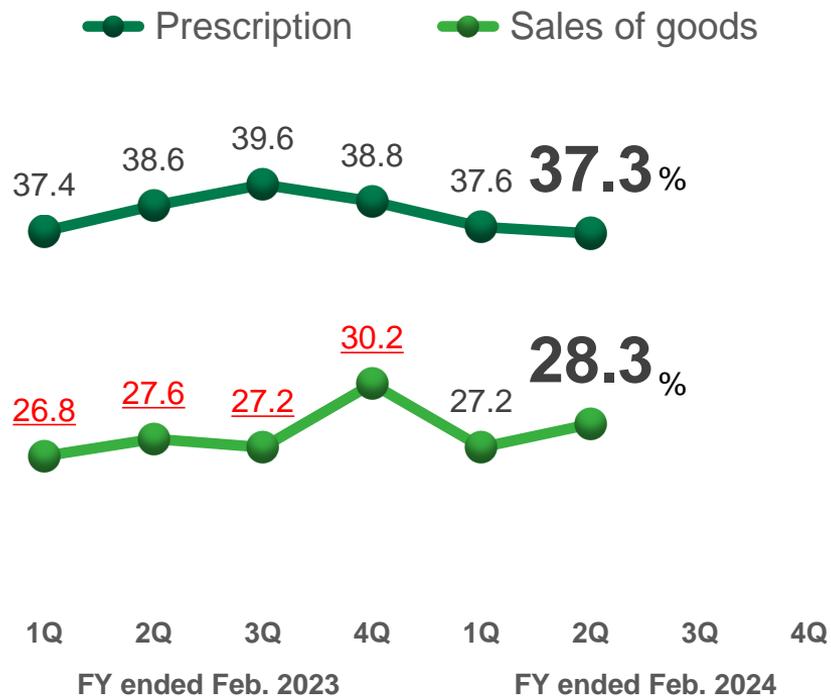


## Summary

- Dispensing Sales : Despite the impact of NHI price revisions, sales grew steadily due to an increase in demand for prescriptions.
- Number of prescriptions received : Cold and flu epidemics contributed to an increase in the number of prescriptions.
- Prescription unit price : Unit price declined due to the NHI price revision and the termination of transitional measures for the Additional Allowance for Community Support System.

# Changes in gross profit margin

Lower profit margin in dispensing was compensated for by higher profit margin in product sales, resulting in higher gross profit margin.



## Prescription

- There is strong downward pressure on profits due to the start of drug price revisions, leading to a decline in profit margins.

## Sales of goods

(Entire Group)

- Profitability increased due to price adjustments for inflationary effects and inclusion of outing-related commercial products.

(By segment)

- Capturing demand for cosmetics boosted profit margins in the Beauty Division.
- Improved profit margin in the Foods Division due to price development in line with market conditions and waste reduction efforts.

# Sales Trend by Product Group

(%)	Composition Ratio			Sales vs. Budget	Sales Y o Y	Gross Profit Margin			Gross Profit vs. Budget	Gross Profit vs. Y o Y
	FY 2023/2 1H	FY 2024/2 1H				FY 2023/2 1H	FY 2024/2 1H			
	Results	Budget	Results			Results	Budget	Results		
<b>Prescription</b>	21.3	21.1	21.4	102.5	110.5	38.0	37.5	37.4	-0.1	-0.6
<b>Product sales</b>	78.7	78.9	78.6	101.1	110.4	<u>27.2</u>	27.7	27.8	+0.1	+0.6
Healthcare	19.7	20.5	19.1	94.4	107.2	<u>39.5</u>	39.5	39.5	±0.0	±0.0
Beauty	17.3	16.9	17.9	107.4	113.9	<u>31.6</u>	31.3	32.2	+0.9	+0.6
Household wares	19.2	19.4	18.8	98.1	108.4	<u>23.6</u>	24.3	24.4	+0.1	+0.8
Foods	<u>22.4</u>	21.9	22.7	105.4	112.2	<u>16.2</u>	16.8	17.2	+0.4	+1.0
Other	0.2	0.2	0.2	95.7	89.6	<u>19.9</u>	19.4	19.1	-0.3	-0.8

# Selling and general administrative expenses

**General and administrative expenses exceeded plan mainly due to accelerated store openings.**

(in million yen, %)	FY ended Feb. 2023 1H		FY ended Feb. 2024 1H			
	Results	% of sales	Results	% of sales	% of budget	% of previous year
Net sales	332,411	100.0	366,564	100.0	101.3	110.3
Total selling expenses	2,154	0.6	2,140	0.6	85.6	99.4
Personnel expenses	41,788	12.6	44,930	12.3	100.3	107.5
General administrative expense	38,902	11.7	45,501	12.4	103.6	117.0
Selling and administrative expenses	82,845	24.9	92,573	25.3	101.5	111.7

## Selling expense

- Continued efficient sales promotion measures centered on app sales promotions.
- Deliver optimal information and coupons tailored to each customer's purchasing behavior.

## Personnel expenses

- Improvement of over- and under-staffing of store employees through promotion of appropriate allocation.
- Improve productivity through man-hour control.

## General administrative expense

- Related expenses increased due to additional store openings and an increase in renovation work..
- Increase in payment fees due to increase in cashless payments.
- Recruitment costs increased due to increased hiring of qualified personnel.

# ESG promotion initiatives: Issues of materiality



(Integrated Report issued by the Company)  
<https://www.sugi-hd.co.jp/csr/report/index.html>



# Recent major efforts

分類	項目	主な取り組み
Human capital	Work engagement	Revitalize organization, promote employee health, raise labor productivity, and reduce employee turnover ratio
	Internal reporting system	Improve management transparency and psychological safety by increasing the number of reports through the internal reporting system
	Ratio of female managers	Take measures to increase the ratio of female managers
Human rights	Human rights due diligence	Establish required policies and implementing human rights due diligence toward business partners
Carbon-free society	CO2 emissions	Introduce renewable energy to achieve 50% reduction in CO2 emissions by 2030
	Participation in decarbonization-related consortiums	Work together with consumers to achieve carbon-free society through product sales and promotions
Recycling-based society	Recycling resources	Start horizontal recycling (bottle-to-bottle) to promote domestic recycling

# Appendix

# Store Openings and Closings

Nos. of stores by region	FY2023/2 Full Year	FY2024/2 1st Half			Forecast after September 2023		FY 2024/2 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	425	18	2	441	35	4	53	6	+47	472
Chubu Region	550	15	1	564	20	4	35	5	+30	580
Hokuriku/Shinshu Region	60	8	0	68	1	2	9	2	+7	67
Kansai Region	530	18	3	545	28	4	46	7	+39	569
<b>Total</b>	<b>1,565</b>	<b>59</b>	<b>6</b>	<b>1,618</b>	<b>84</b>	<b>14</b>	<b>143</b>	<b>20</b>	<b>+123</b>	<b>1,688</b>

Nos. of stores by company	FY2023/2 Full Year	FY2024/2 1st Half			Forecast after September 2023		FY 2024/2 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	1,446	58	6	1,498	83	14	141	20	+121	1,567
Japan	105	0	0	105	0	0	0	0	0	105
Visit Nursing Care ST	14	1	0	15	1	0	2	0	+2	16
<b>Total</b>	<b>1,565</b>	<b>59</b>	<b>6</b>	<b>1,618</b>	<b>84</b>	<b>14</b>	<b>143</b>	<b>20</b>	<b>+123</b>	<b>1,688</b>

# 1st Half Financial Highlight - Consolidated -

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<b>Net Sales</b>	<b>332,411</b>	<b>100.0</b>	<b>366,564</b>	<b>100.0</b>	<b>101.3</b>	<b>4,564</b>	<b>110.3</b>
Sugi Pharmacy business	304,729	91.8	338,568	92.4	101.4	4,527	111.1
Japan business	25,168	7.6	25,603	7.0	102.5	619	101.7
Others	2,512	0.6	2,392	0.7	80.4	-583	95.2
<b>Gross Profit</b>	<b>98,301</b>	<b>29.6</b>	<b>109,860</b>	<b>30.0</b>	<b>102.5</b>	<b>2,660</b>	<b>111.8</b>
Sugi Pharmacy business	92,055	29.6	103,134	30.5	101.6	1,606	112.0
Japan business	5,276	30.2	5,493	21.5	103.7	194	104.1
Others	968	38.5	1,232	51.5	330.6	859	127.3
<b>SG&amp;A Expenses</b>	<b>82,845</b>	<b>24.9</b>	<b>92,573</b>	<b>25.3</b>	<b>101.5</b>	<b>1,373</b>	<b>111.7</b>
<b>Operating Income</b>	<b>15,455</b>	<b>4.6</b>	<b>17,287</b>	<b>4.7</b>	<b>108.0</b>	<b>1,287</b>	<b>111.9</b>
Non-Operating Income	1,423	0.4	1,962	0.5	115.4	262	137.8
Non-Operating Expenses	1,208	0.4	1,124	0.3	112.5	124	93.1
<b>Ordinary Income</b>	<b>15,670</b>	<b>4.7</b>	<b>18,124</b>	<b>4.9</b>	<b>108.5</b>	<b>1,424</b>	<b>115.7</b>
Extraordinary Income	0	0.0	0	0.0	—	0	—
Extraordinary Losses	2,308	0.7	2,864	0.8	143.2	864	124.1
<b>Net Income before Income Taxes</b>	<b>13,361</b>	<b>4.0</b>	<b>15,260</b>	<b>4.2</b>	<b>103.8</b>	<b>560</b>	<b>114.2</b>
Income Taxes	4,384	1.3	4,995	1.4	96.1	-205	113.9
<b>Net Income</b>	<b>8,977</b>	<b>2.7</b>	<b>10,265</b>	<b>2.8</b>	<b>108.1</b>	<b>765</b>	<b>114.3</b>
<b>EBITDA</b>	<b>21,551</b>	<b>6.5</b>	<b>24,733</b>	<b>6.7</b>	<b>106.1</b>	<b>1,428</b>	<b>114.8</b>

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

	FY Ending 2023/2 1H (March to August)		FY Ending 2024/2 1H (March to August)			
	Results (in million yen)	Ratio to Sales (%)	Results (in million yen)	Ratio to Sales (%)	Y o Y (%)	Results (in million yen)
<b>Net Sales</b>	<b>332,411</b>	<b>100.0</b>	<b>366,564</b>	<b>100.0</b>	<b>101.3</b>	<b>110.3</b>
<b>Total Selling Expenses</b>	<b>2,154</b>	<b>0.6</b>	<b>2,140</b>	<b>0.6</b>	<b>85.6</b>	<b>99.4</b>
Advertising Expenses	2,040	0.6	2,065	0.6	85.6	101.2
Premium Expenses	113	0.0	75	0.0	85.7	66.2
<b>Personnel Expenses</b>	<b>41,788</b>	<b>12.6</b>	<b>44,930</b>	<b>12.3</b>	<b>100.3</b>	<b>107.5</b>
<b>Total Administrative Expenses</b>	<b>38,902</b>	<b>11.7</b>	<b>45,501</b>	<b>12.4</b>	<b>103.6</b>	<b>117.0</b>
Rent Expenses	17,050	5.1	18,370	5.0	101.4	107.7
Depreciation Expenses	5,858	1.8	6,616	1.8	100.7	112.9
Utilities Expenses	3,302	1.0	4,014	1.1	83.5	121.5
Supplies Expenses	1,816	0.5	2,481	0.7	116.0	136.6
Tax and Public Charges	2,976	0.9	3,280	0.9	101.5	110.2
Commission Paid	3,820	1.1	4,895	1.3	112.8	128.1
Others	4,077	1.2	5,842	1.6	124.4	143.3
<b>Total SG&amp;A Expenses</b>	<b>82,845</b>	<b>24.9</b>	<b>92,573</b>	<b>25.3</b>	<b>101.5</b>	<b>111.7</b>

# Sales Trend by Product Group - Sugi -

(%)	Composition Ratio			Sales vs. Budget	Sales Y o Y	Gross Profit Margin			Gross Profit vs. Budget	Gross Profit vs. Y o Y
	FY 2023/2 1H	FY 2024/2 1H				FY 2023/2 1H	FY 2024/2 1H			
	Results	Budget	Results			Results	Budget	Results		
Prescription	23.1	22.7	23.0	102.5	110.5	38.0	37.5	37.4	-0.1	-0.6
Healthcare	20.4	21.2	19.8	94.5	107.7	<u>39.5</u>	39.6	39.5	-0.1	±0.0
Beauty	18.1	17.5	18.6	107.5	114.5	<u>31.7</u>	31.4	32.2	+0.8	+0.5
Household wares	19.1	19.3	18.7	98.1	109.2	<u>23.5</u>	24.3	24.3	±0.0	+0.8
Foods	19.3	19.1	19.8	105.2	114.1	<u>16.4</u>	17.1	17.5	+0.4	+1.1
Other	0.1	0.1	0.1	98.6	97.7	<u>30.9</u>	28.8	27.9	-0.9	-3.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>101.4</b>	<b>111.1</b>	<b><u>30.2</u></b>	<b>30.4</b>	<b>30.5</b>	<b>+0.1</b>	<b>+0.3</b>

# Sales Trend by Product Group - Japan -

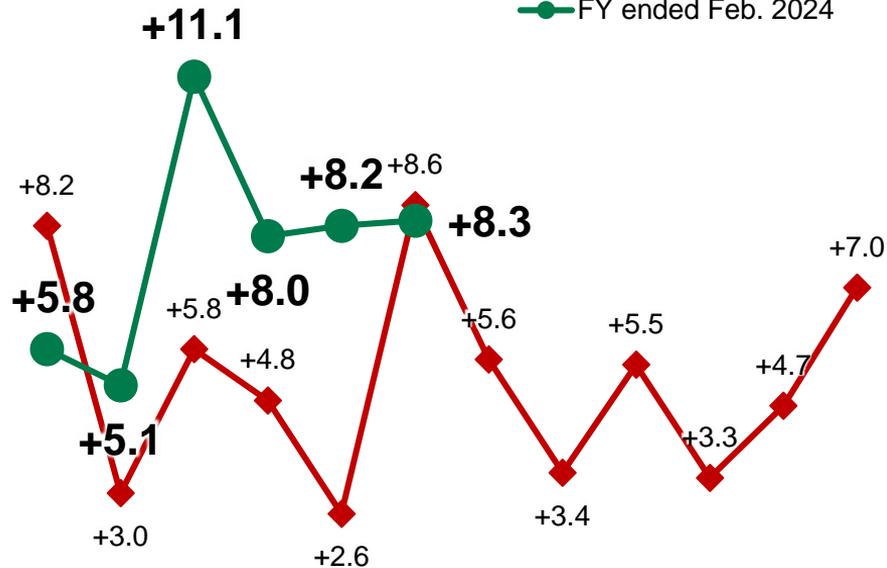
(%)	Composition Ratio			Sales vs. Budget	Sales Y o Y	Gross Profit Margin			Gross Profit vs. Budget	Gross Profit vs. Y o Y
	FY 2023/2 1H	FY 2024/2 1H				FY 2023/2 1H	FY 2024/2 1H			
	Results	Budget	Results			Results	Budget	Results		
Healthcare	10.7	11.3	10.0	90.9	95.4	<u>39.1</u>	37.4	40.7	+3.3	+1.6
Beauty	8.2	7.8	7.9	103.8	98.7	<u>29.5</u>	29.8	32.2	+2.4	+2.7
Household wares	20.3	20.8	19.8	97.2	98.9	<u>24.4</u>	24.8	25.5	+0.7	+1.1
Foods	59.4	58.7	61.1	106.6	104.7	<u>15.6</u>	15.9	15.8	-0.1	+0.2
Other	1.4	1.3	1.2	93.6	83.9	<u>12.2</u>	12.3	12.0	-0.3	-0.2
Total	100.0	100.0	100.0	102.5	101.7	<u>21.0</u>	21.2	21.5	+0.3	+0.5

# Existing Stores Sales Growth Rate

## ■ Prescription

—◆— FY ended Feb. 2023

—●— FY ended Feb. 2024



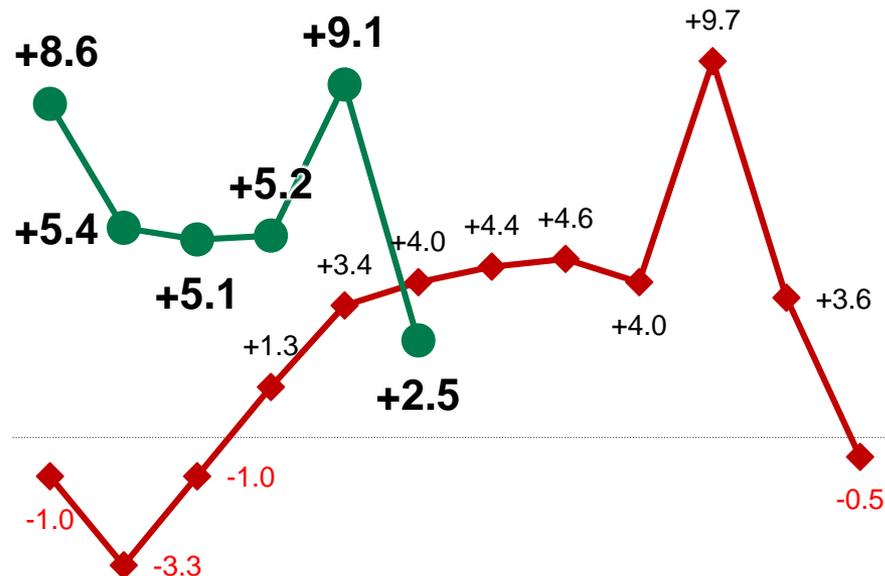
Mar. Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec. Jan. Feb.

Q2 (Jun. to Aug.): +8.2%

## ■ Product Sales

—◆— FY ended Feb. 2023

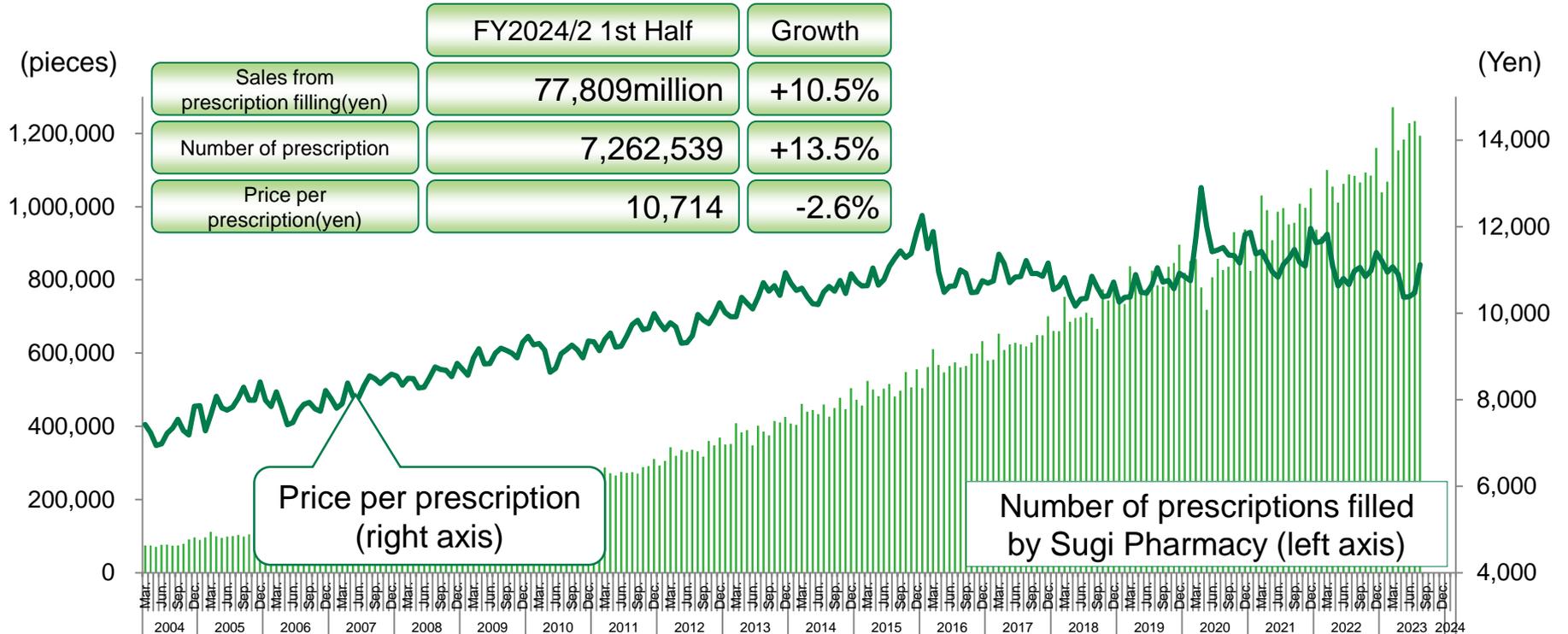
—●— FY ended Feb. 2024



Mar. Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec. Jan. Feb.

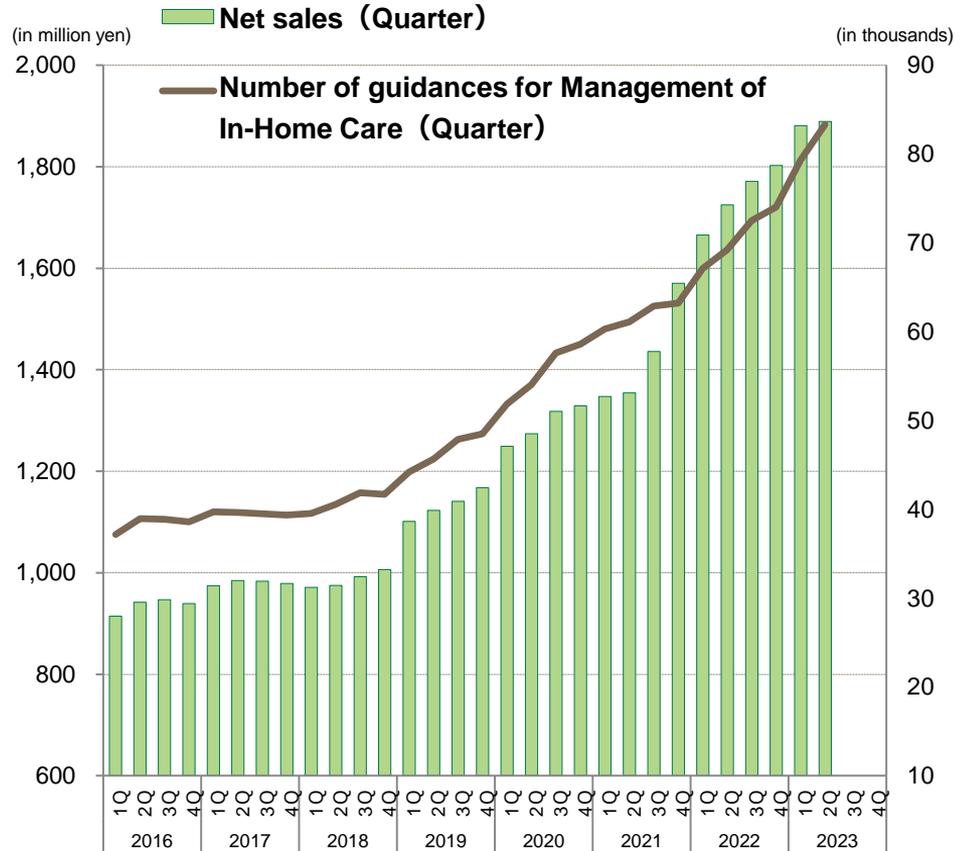
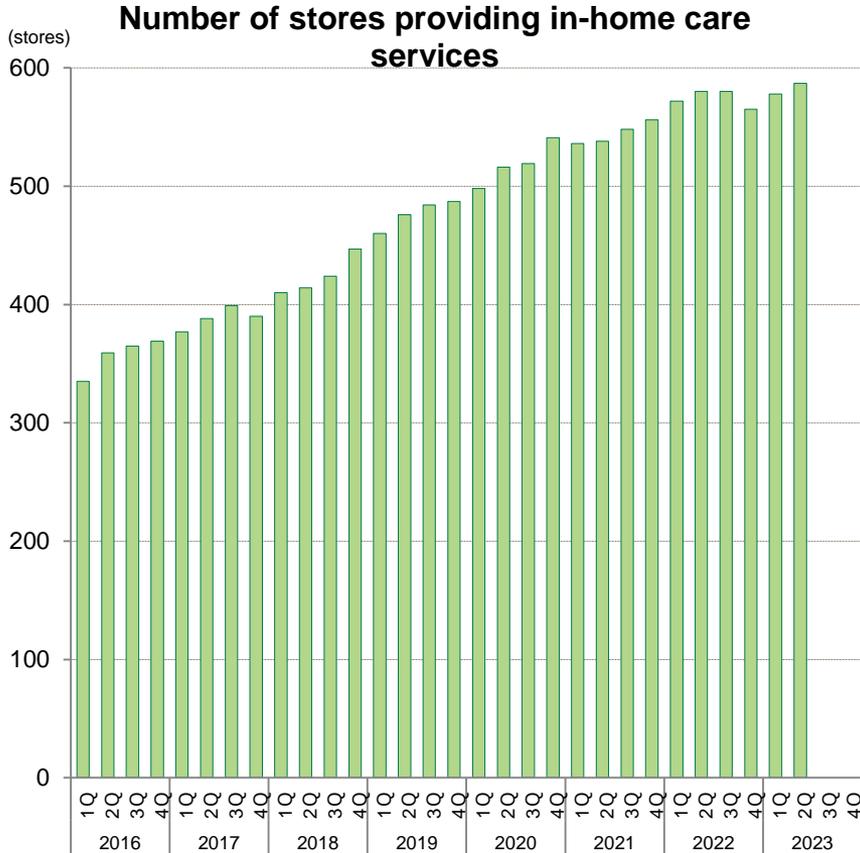
Q2 (Jun. to Aug.): +5.6%

# Trends in the Number of Prescriptions and Price per Prescription



	FY 2011/2	FY 2012/2	FY 2013/2	FY 2014/2	FY 2015/2	FY 2016/2	FY 2017/2	FY 2018/2	FY 2019/2	FY 2020/2	FY 2021/2	FY 2022/2	FY 2023/2
Number of prescriptions	2,725,013	3,408,128	4,103,319	4,782,507	5,473,832	6,181,431	6,982,700	7,704,463	8,698,045	9,833,178	10,101,138	11,729,823	12,912,512
Avg. price / prescription(yen)	9,107	9,596	9,747	10,450	10,548	11,270	10,810	10,917	10,471	10,707	11,642	11,317	11,033

# In-home Medical Care Services – As of August. 31, 2023



# 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.**