

Financial Results

Full Year Results FY Ending February 29, 2020

Supplementary Information

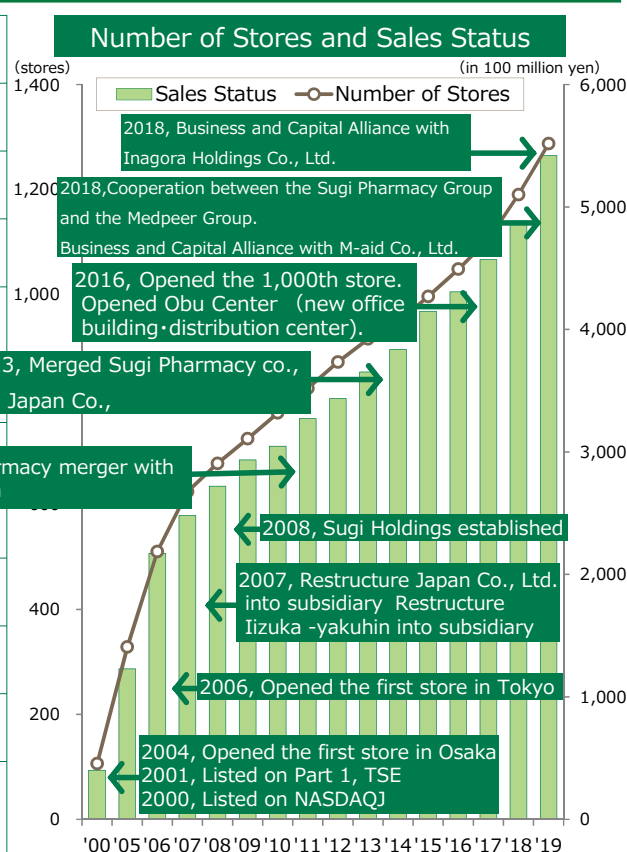
Securities ID Code: 7649, Part 1 of TSE and NSE

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



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2

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

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3

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
Total	1,190	50	3	0	66	17	1	116	20	1	97	1,287

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
Total	1,190	50	3	0	66	17	1	116	20	1	+97	1,287

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4

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

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5

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
Net Sales	488,464	100.0	541,964	100.0	104.2	21,964	111.0
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
Gross Profit	142,300	29.1	162,182	29.9	106.7	10,182	114.0
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
SG&A Expenses	116,483	23.8	132,420	24.4	106.8	8,420	113.7
Operating Income	25,817	5.3	29,762	5.5	106.3	1,762	115.3
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
Ordinary Income	27,237	5.6	31,473	5.8	108.5	2,473	115.6
Extraordinary Income	0	-	0	0.0	—	0	—
Extraordinary Losses	1,184	0.2	1,546	0.3	91.0	-154	130.6
Net Income before Income Taxes	26,053	5.3	29,926	5.5	109.6	2,626	114.9
Income Taxes	8,113	1.7	9,144	1.7	101.6	144	112.7
Net Income	17,940	3.7	20,782	3.8	113.6	2,482	115.8

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

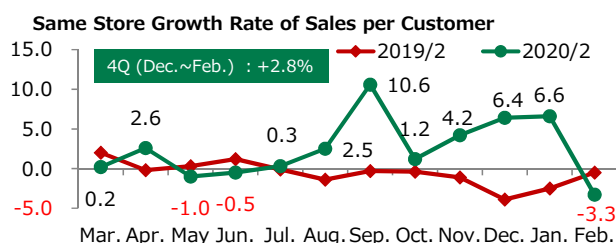
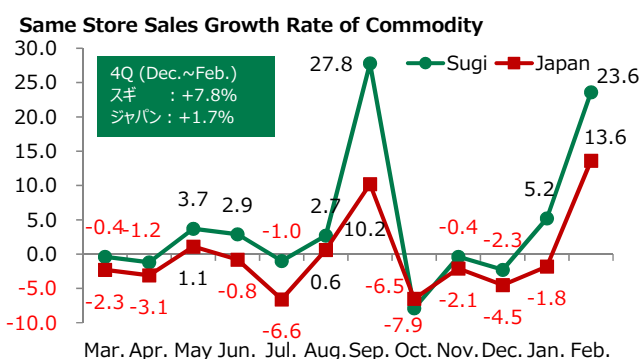
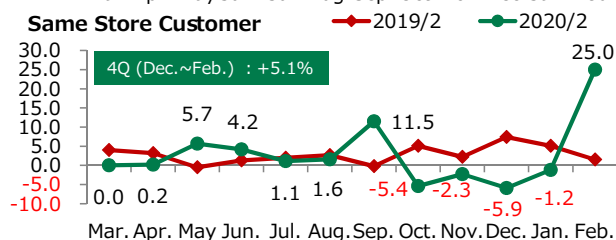
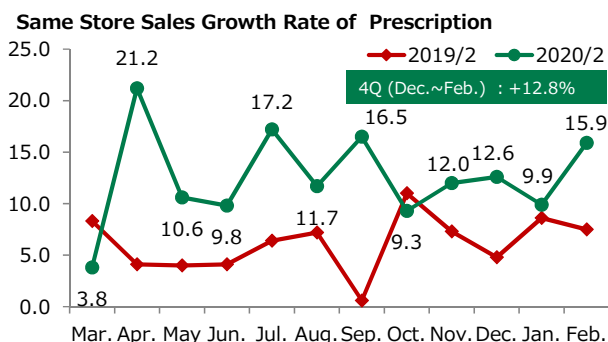
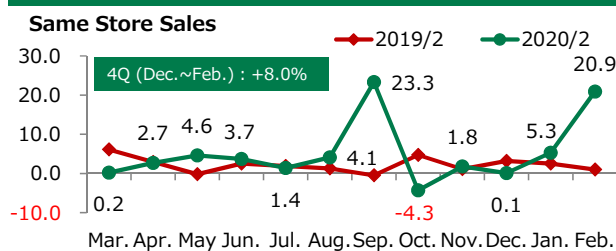
Full Year SG&A Expenses Status - Consolidated -

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
Net Sales	488,464	100.0	541,964	100.0	104.2	111.0
Total Selling Expenses	7,551	1.5	7,690	1.4	92.7	101.8
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
Personnel Expenses	59,086	12.1	66,405	12.3	105.9	112.4
Total Administrative Expenses	49,845	10.2	58,323	10.8	110.0	117.0
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
Total SG&A Expenses	116,483	23.8	132,420	24.4	106.8	113.7

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%.



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8

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 2019/2 Full Year	FY 2020/2 Full Year				FY 2019/2 Full Year	FY 2020/2 Full Year			
	Results	Budget	Results			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	-
Total	100.0	100.0	100.0	104.4	113.8	30.3	30.2	30.8	+0.6	+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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9

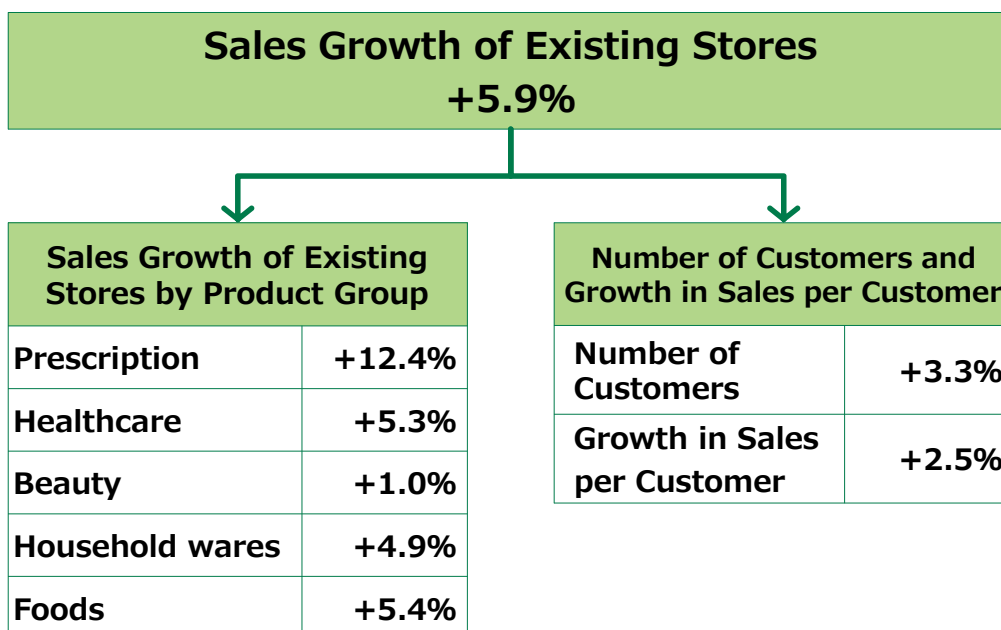
Sales Trend by Product Group - Japan -

	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			Results	Budget	Results		
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	-
Total	100.0	100.0	100.0	101.9	91.7	20.0	19.7	20.5	+0.8	+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.

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.

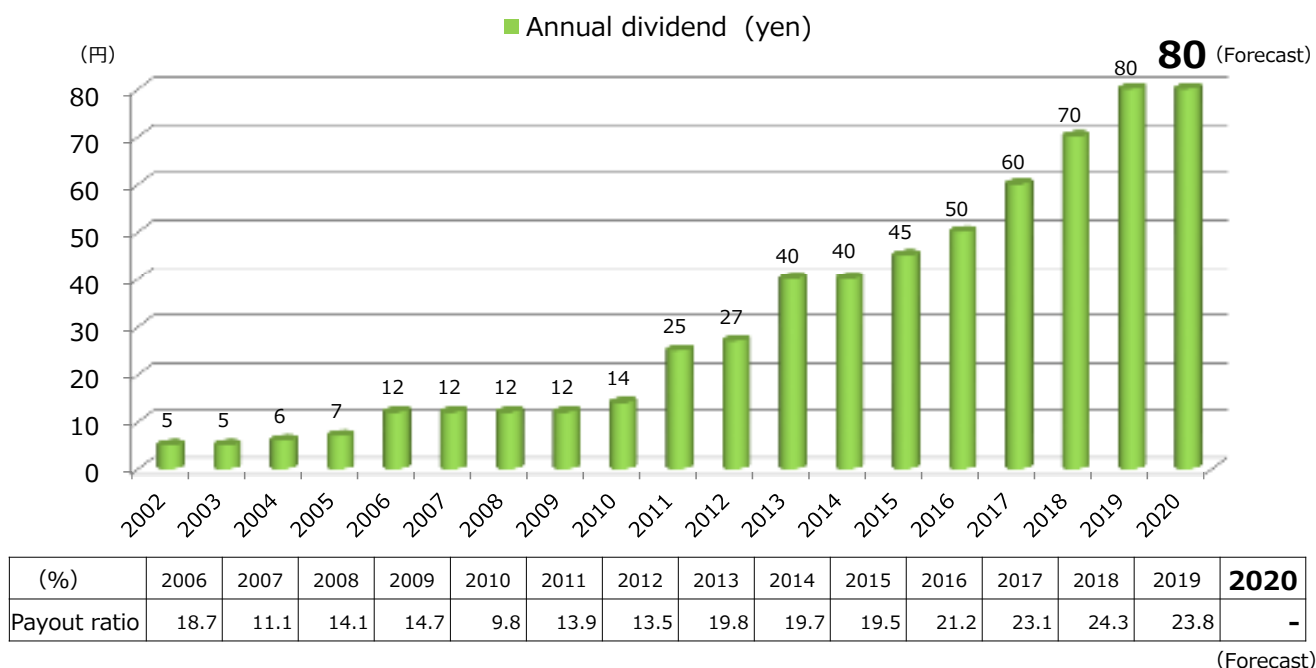
Preconditions of Forecasts for FY 2021/2

<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%**.



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14

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

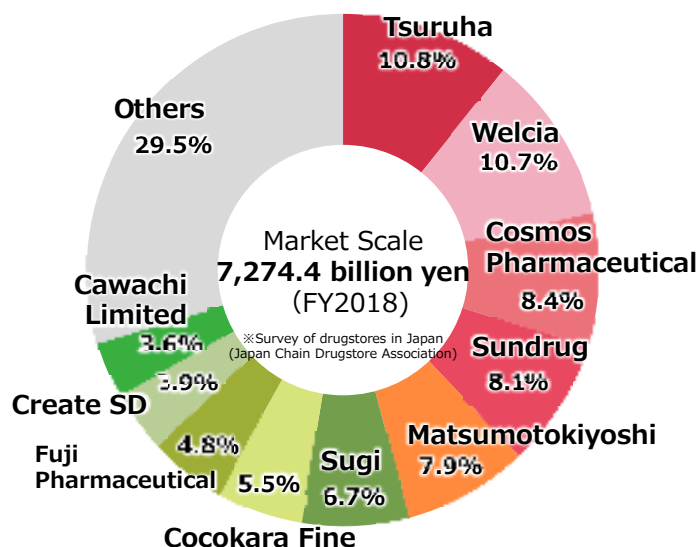
- Promotion of digital transformation of management、Productivity improvement、Improvement of the quality of human resources and organization

2

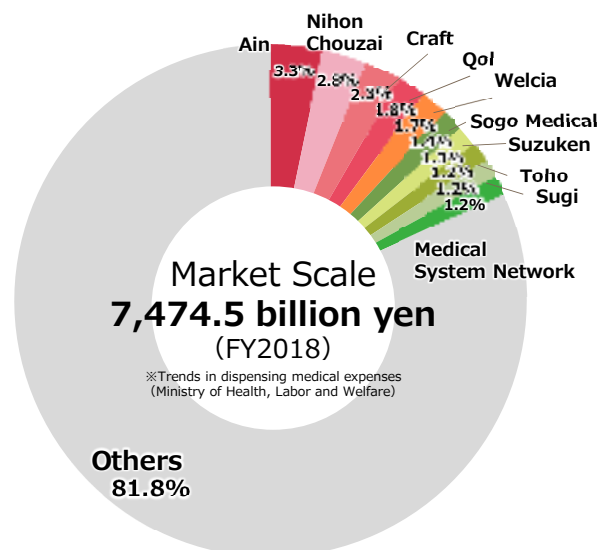
ESG management initiatives

Drugstore and drug dispensing pharmacy industry

■ Market share of top 10 drugstores

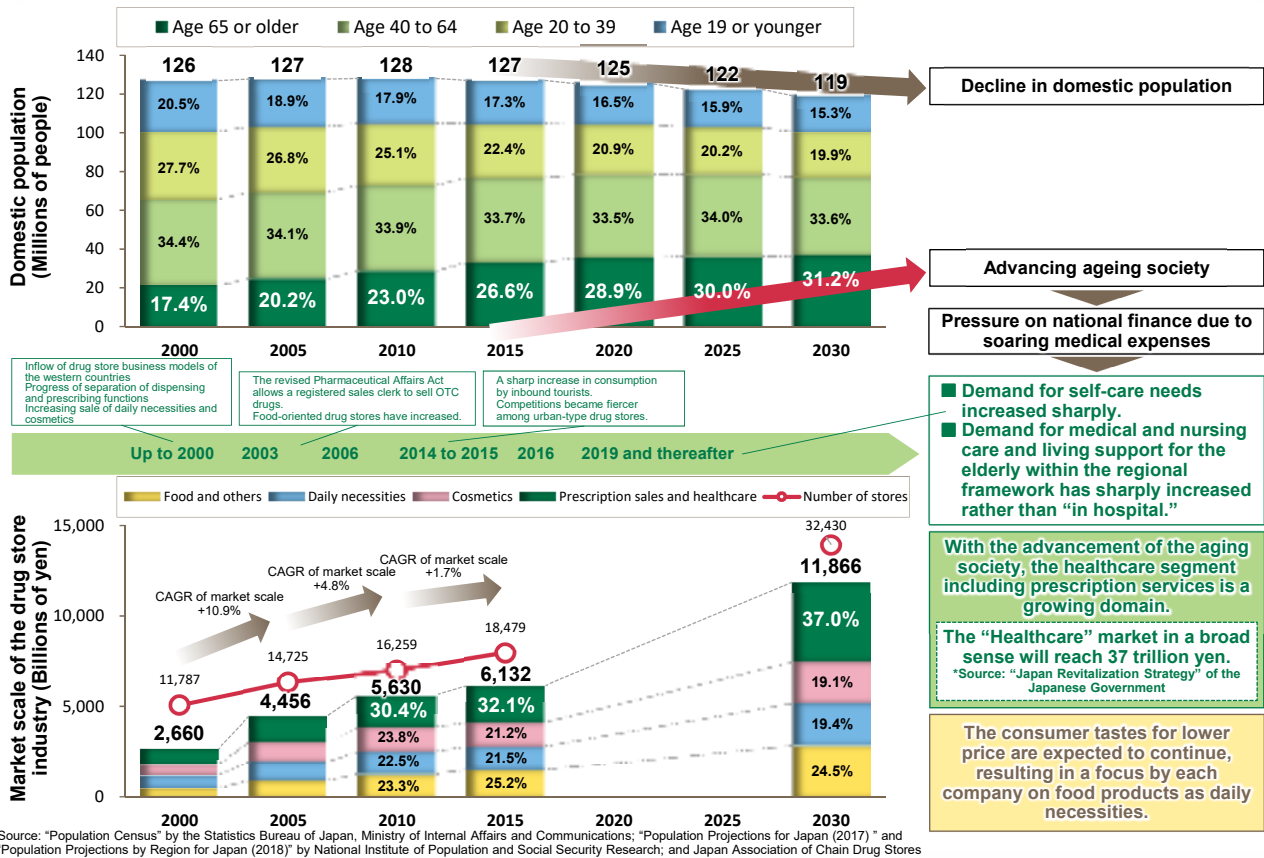


■ Market share of the top 10 drug dispensing pharmacy markets



※Created based on presentation materials from each company

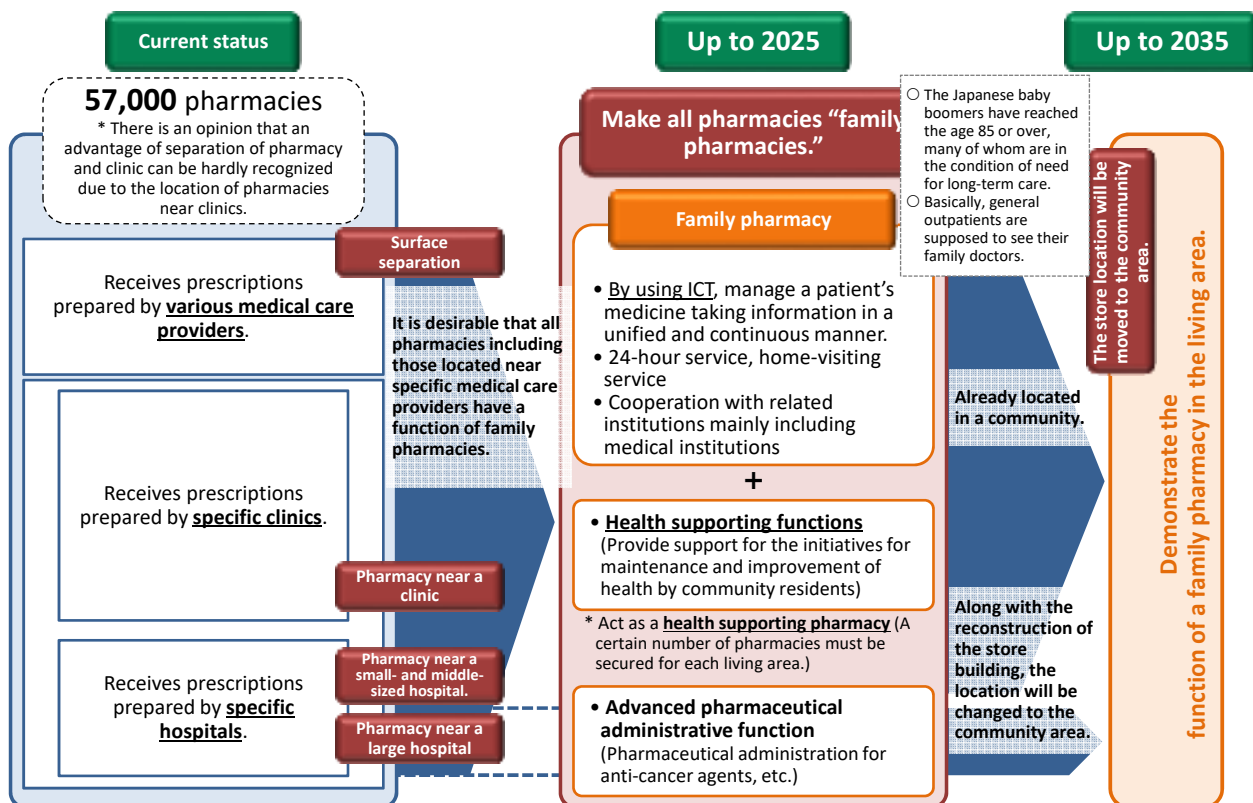
Transition of the Growth of the Drug Store Industry



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18

Environment surrounding the dispensing business and expectation for pharmacies



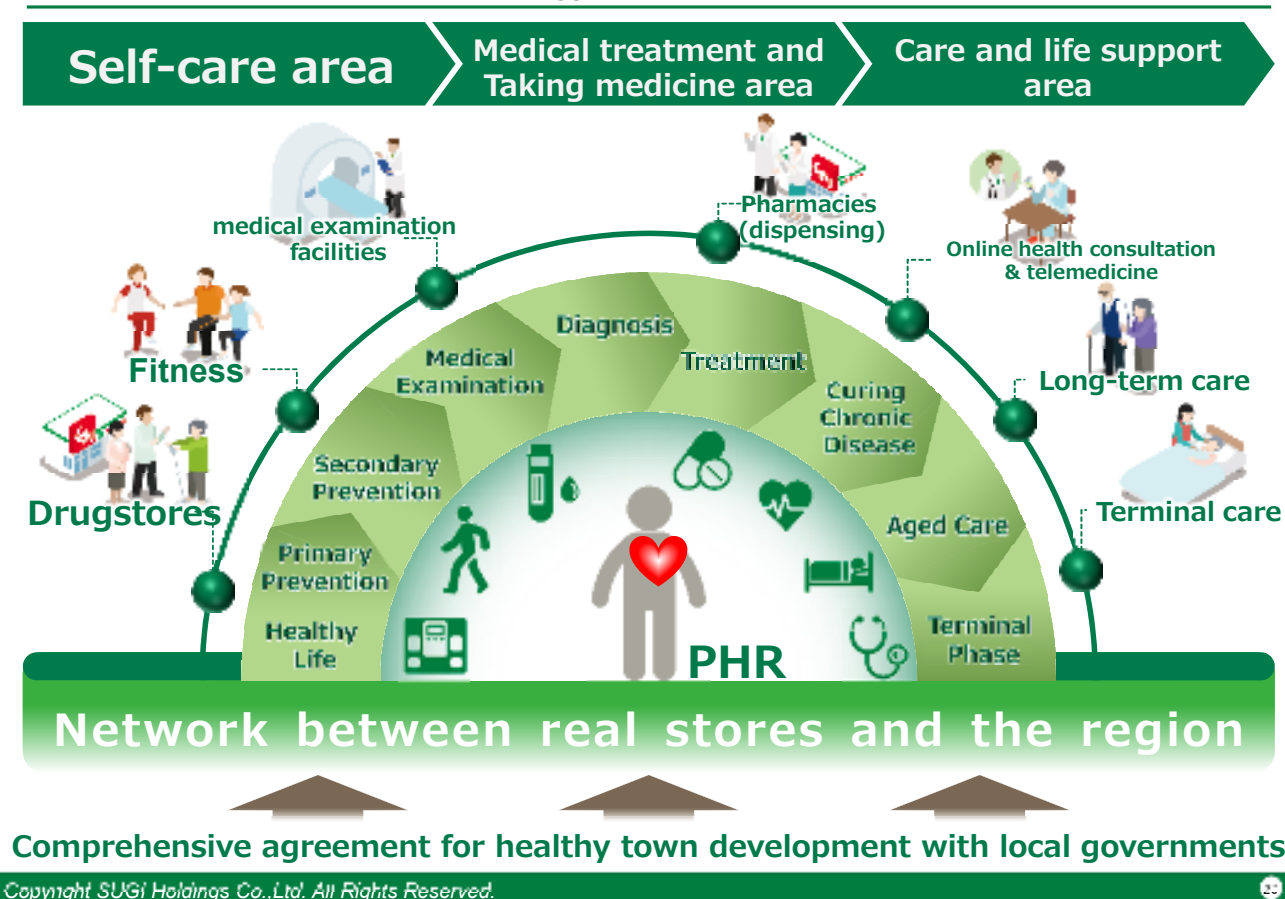
* Prepared based on the Outline of the "Pharmacy Vision for Patients" (issued on October 23, 2015)

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19

Process to create customer value

~Promotion of total healthcare strategy~

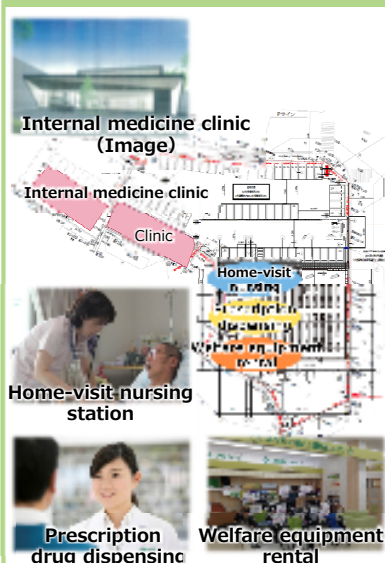


Management strategy

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

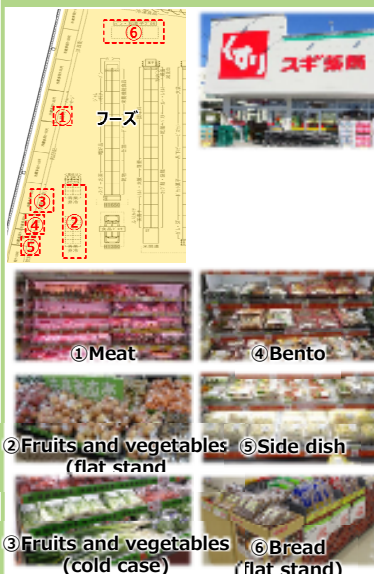
Suburban type

Community health care type



Nagakusa

Frequent visit type



Shinbayashi

Urban type

Clinic attached type



Yutenji

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

Strengthening of sales capabilities

- Strengthening of existing domains (open new stores, frequent visit type stores / experience-based stores, drug dispensing business)
- Expansion into new growth domain (inbound, overseas)

Strengthening of customer lifetime value management

- Promotion of total healthcare strategy
- Improvement of customer lifetime value by integration of real and digital services

Expansion of collaboration and co-creation

- Alliances and M&A (same and different industries)
- Optimization of the entire value chain process through information linkage

Promotion of digital transformation of management

- Provision of new customer experiences using digital technology
- Optimization of existing operations using digital technology

Building a management foundation

Productivity improvement

- Implementation of opening new stores and renovating existing stores with high investment efficiency
- Achieve highly productive work (abolition of work, transfer of work to part-time work, mechanization of regular work)

Improvement of the quality of human resources and organization

- Recruitment and education of human resources for the purpose of improving store quality and creating the next generation
- Realization of the slim and flat organization to improve productivity and expand new business development

Strengthening of customer lifetime value management

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

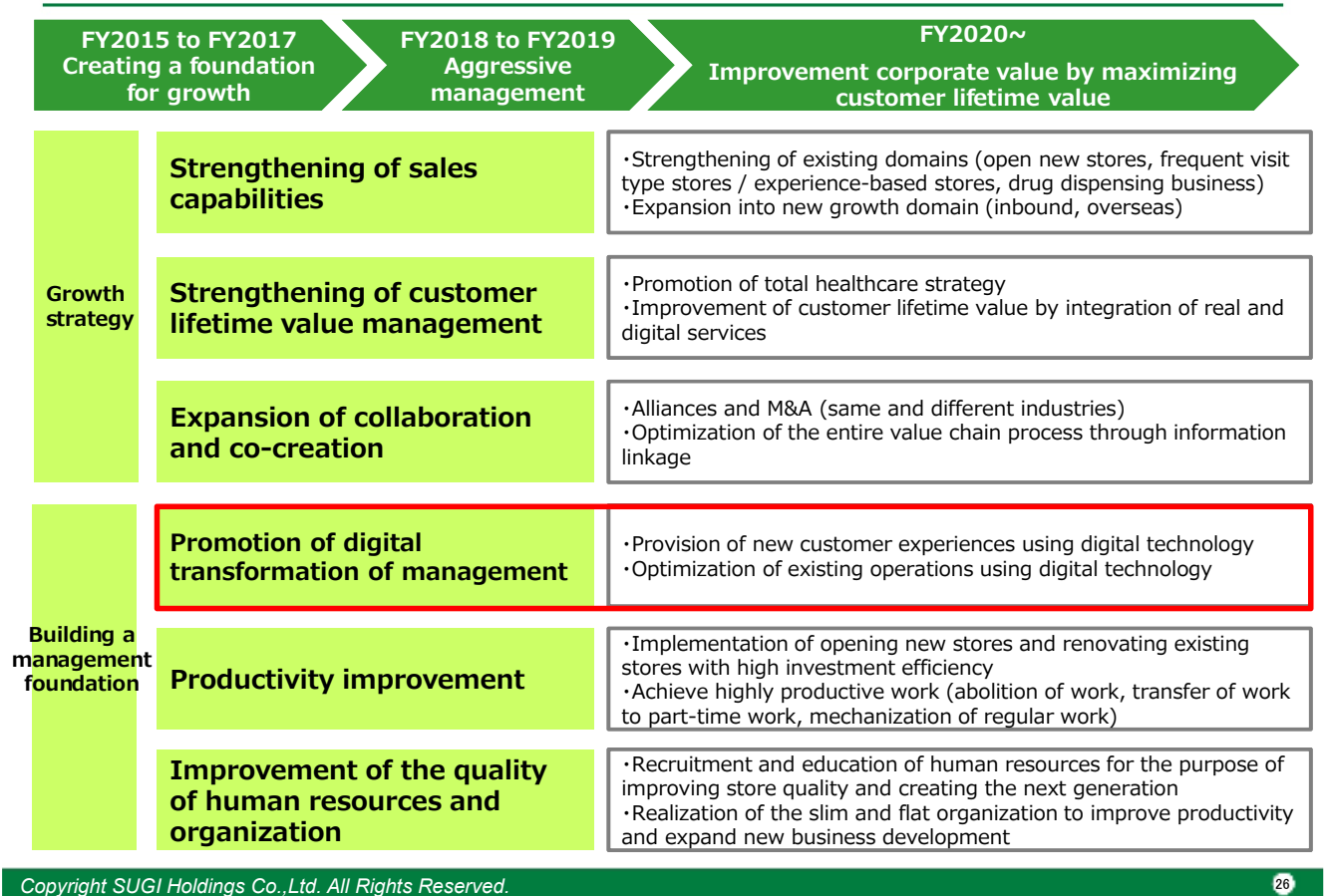
Target number of member acquisition



Management strategy

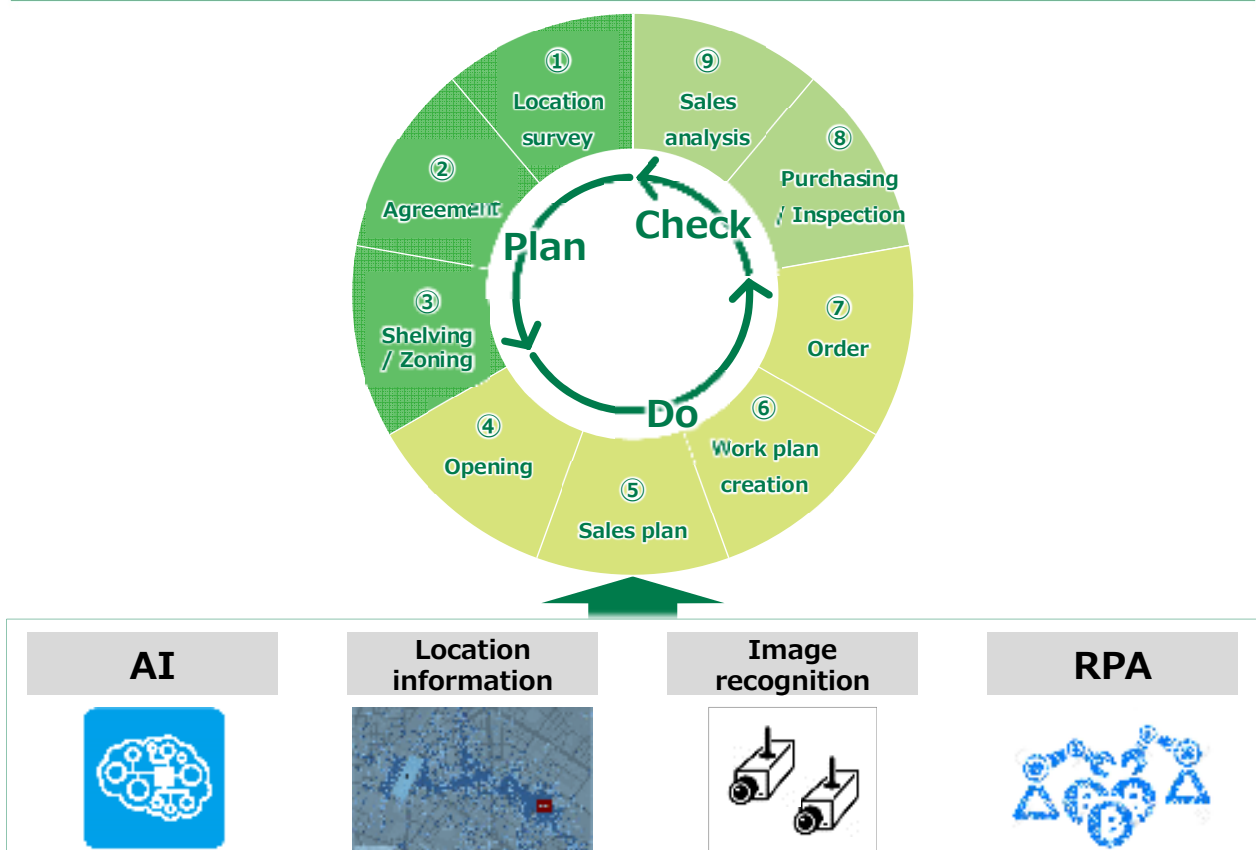
	FY2015 to FY2017 Creating a foundation for growth	FY2018 to FY2019 Aggressive management	FY2020~ Improvement corporate value by maximizing customer lifetime value
Growth strategy	Strengthening of sales capabilities	<ul style="list-style-type: none"> Strengthening of existing domains (open new stores,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

Management strategy

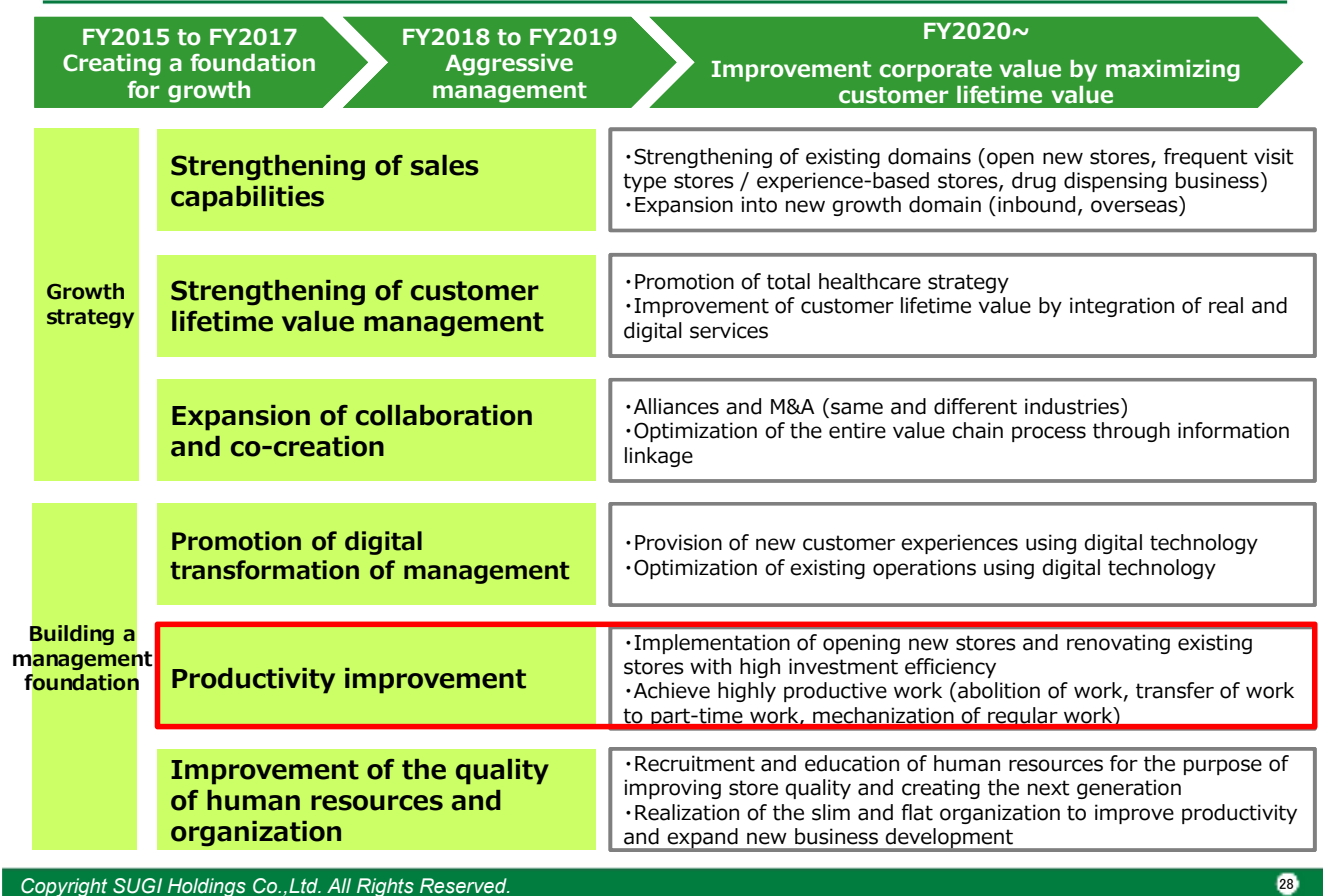


Promotion of digital transformation of management

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 :

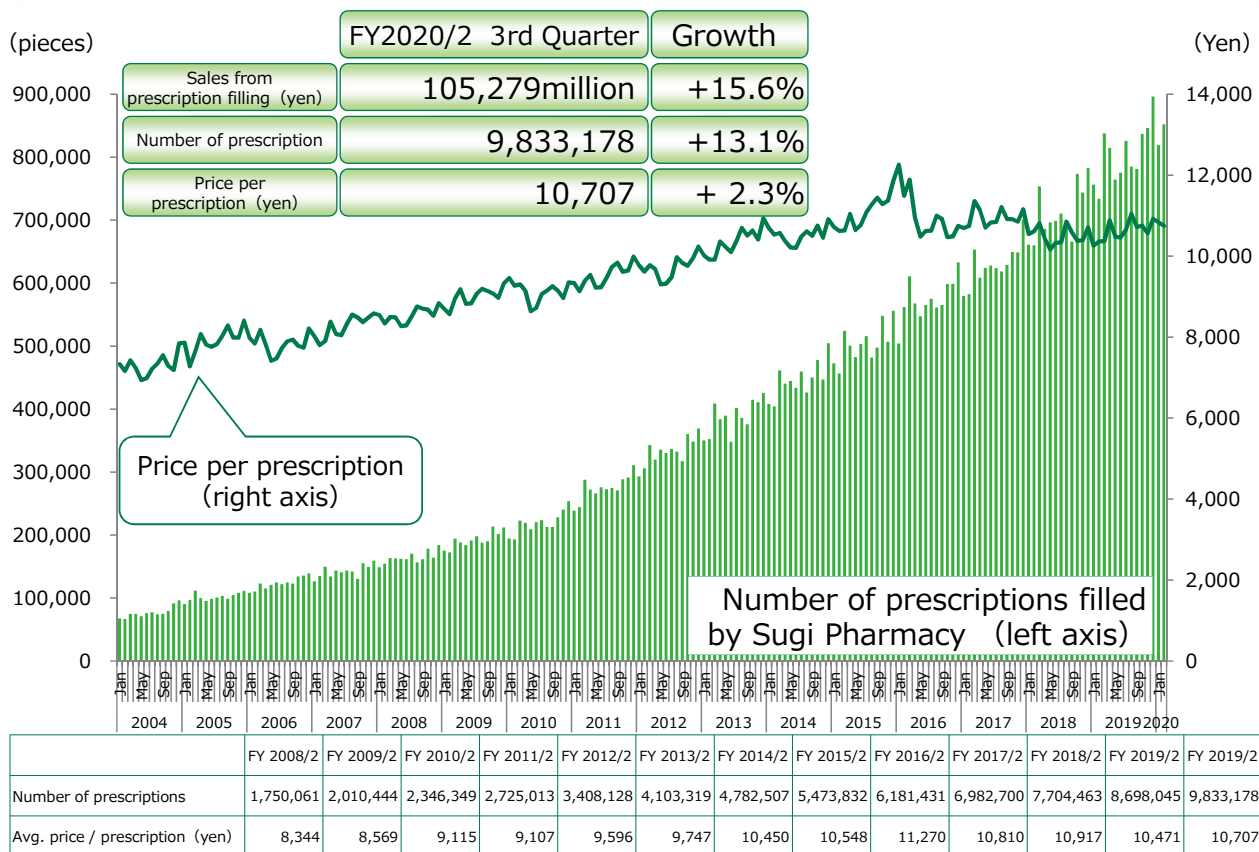
Sugi Pharmacy Group aims to be a company that contributes to the sustainable development of local communities by increasing the number of healthy and energetic people through corporate activities with stakeholders by seriously addressing various environmental and social issues.

<Relationship between important issues and SDGs>

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

Medical Business of Sugi Group

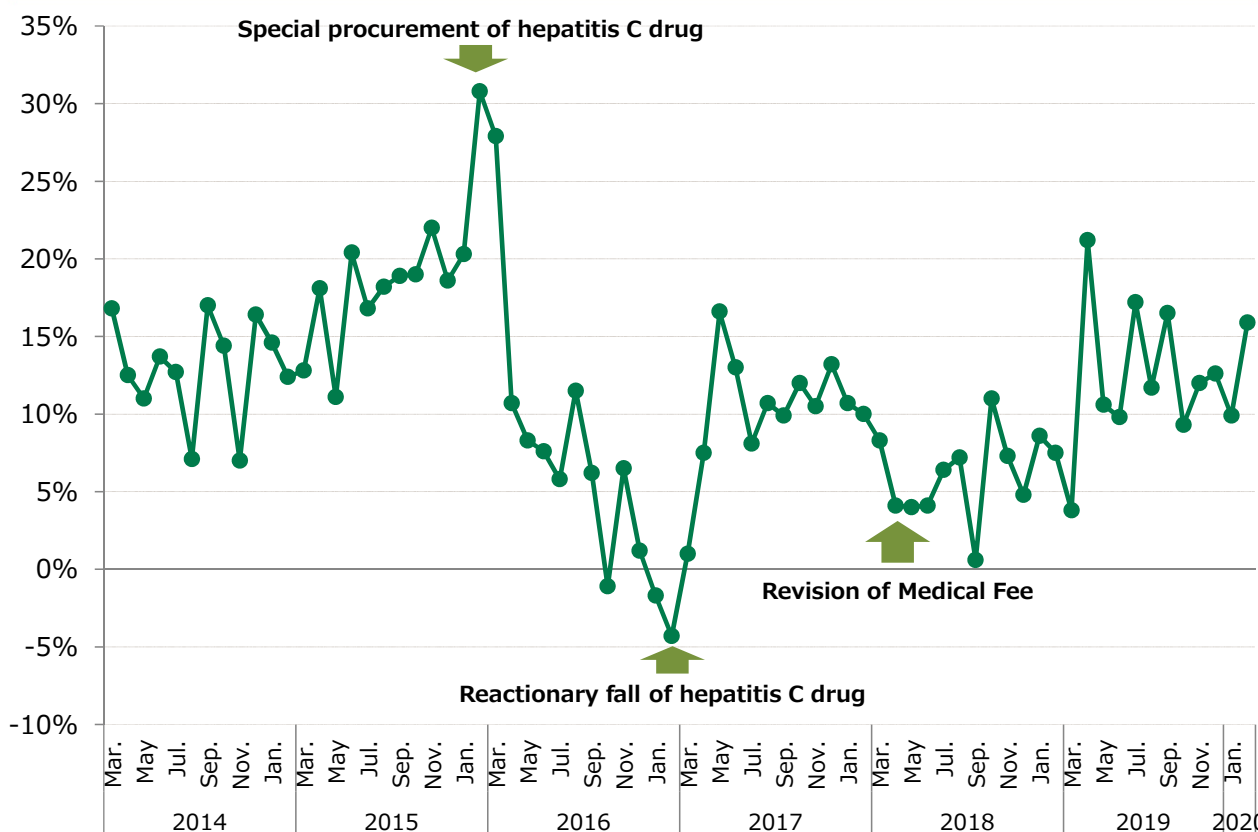
Trends in the Number of Prescriptions and Price per Prescription



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32

Same store growth rate of prescription sales

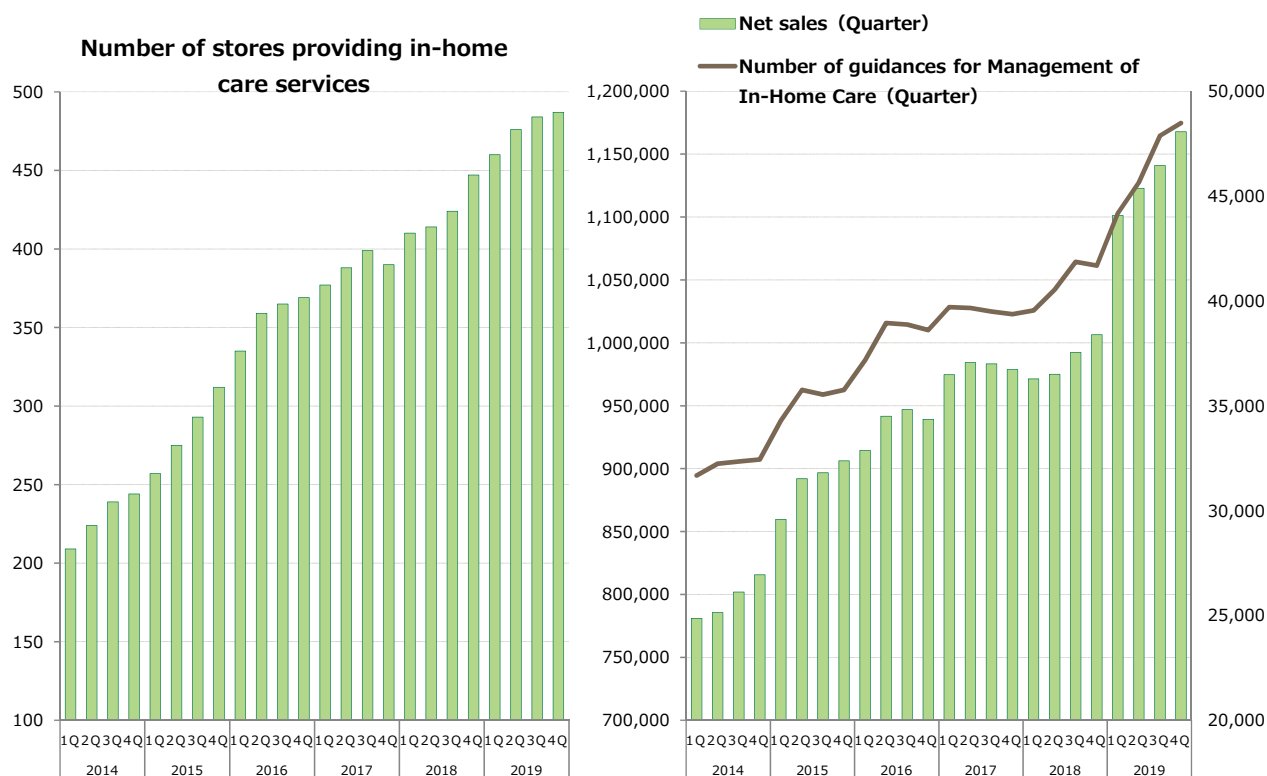


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33

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

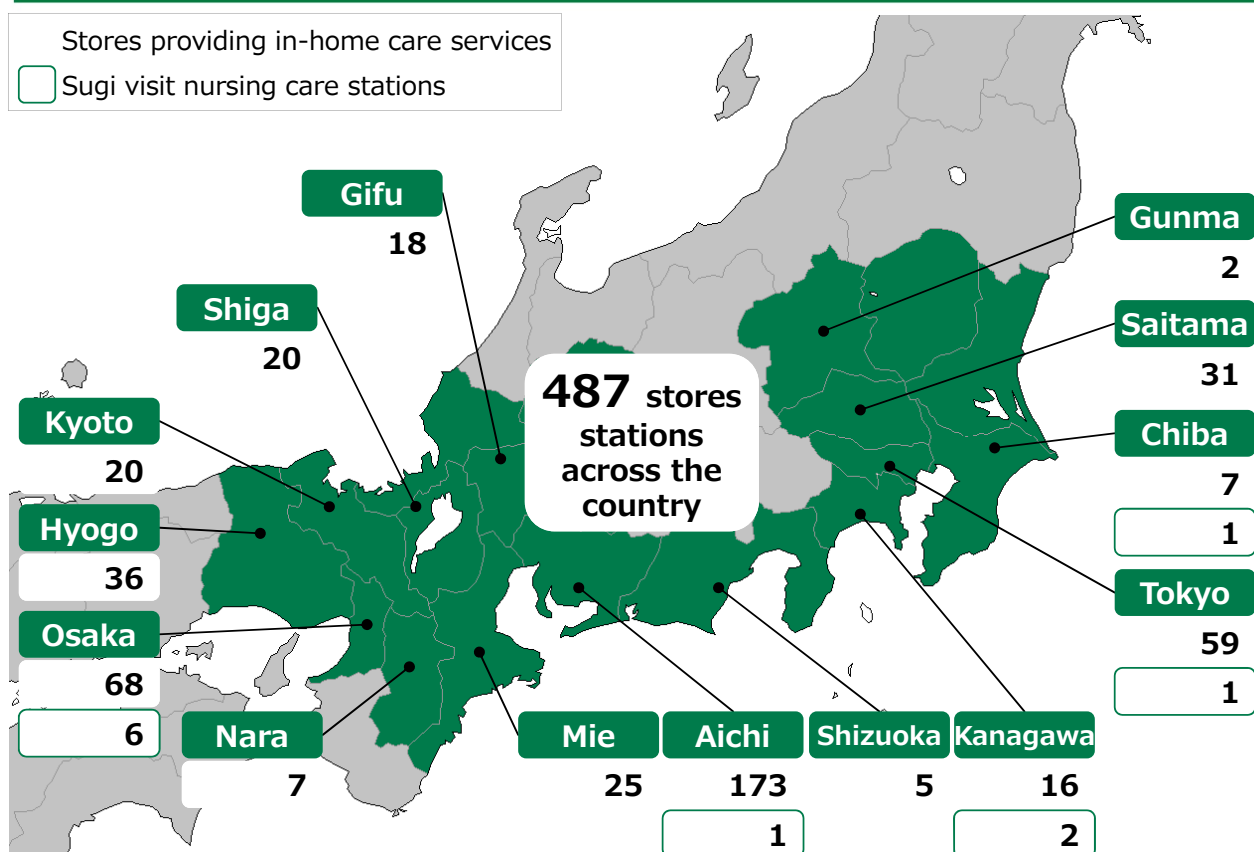
in-home medical care: JPY 4,533m (+14.9% Y o Y)



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34

Facilities Providing Comprehensive Medical Services to Local Communities

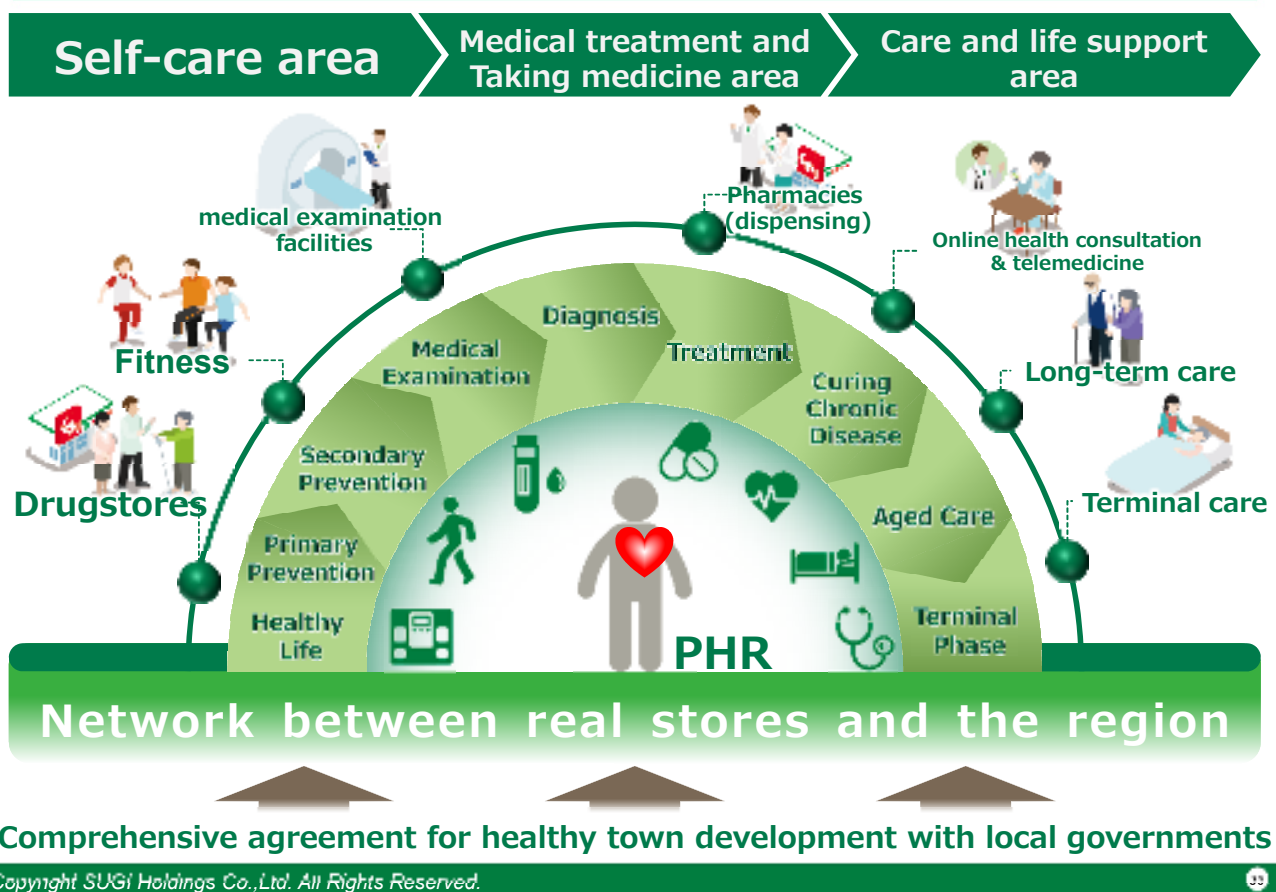


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35

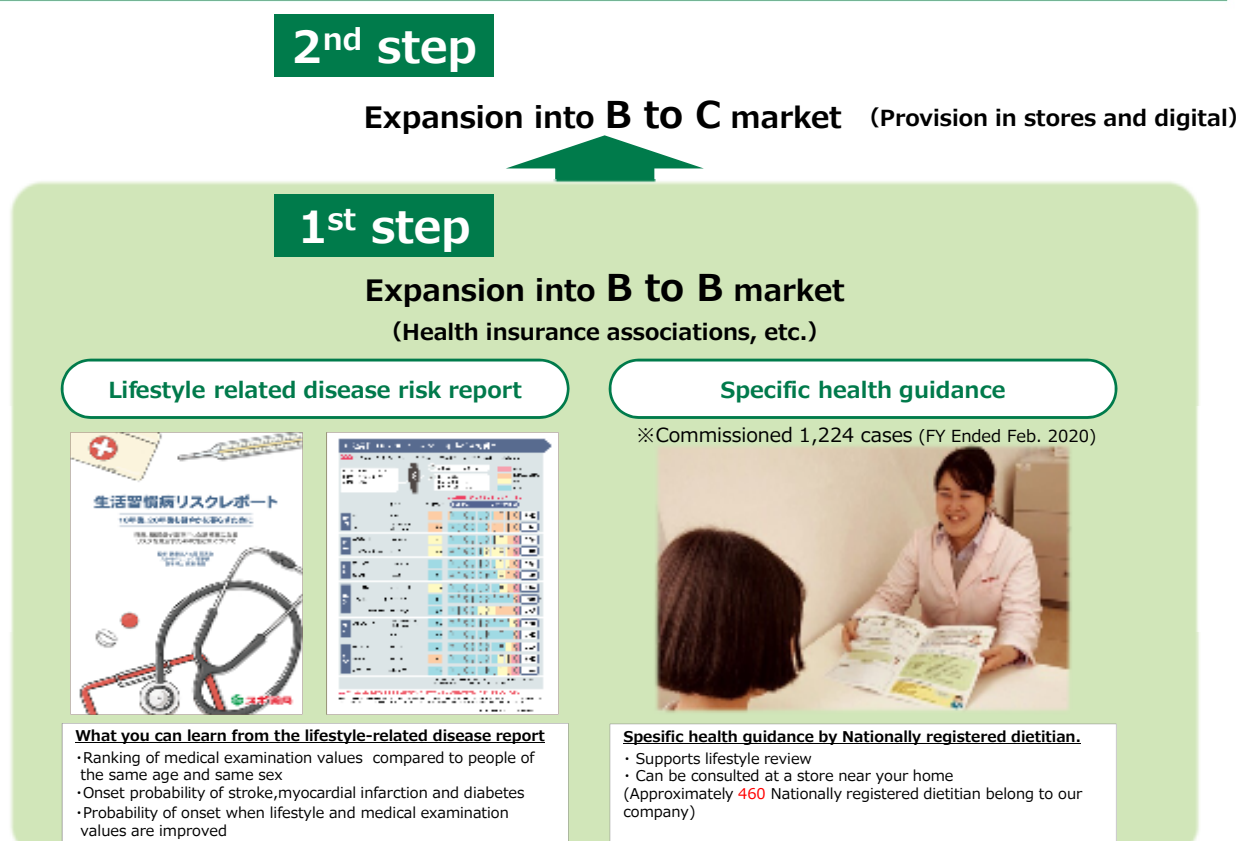
Process to create customer value

~Promotion of total healthcare strategy~



33

Strengthening of self-care domain



37

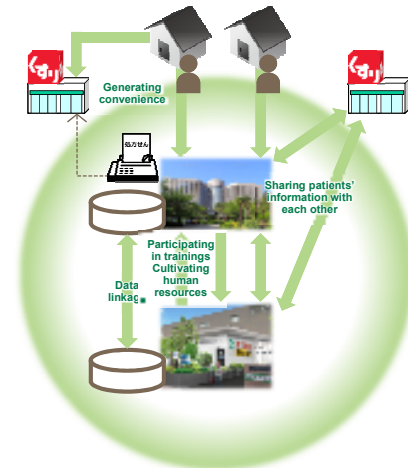
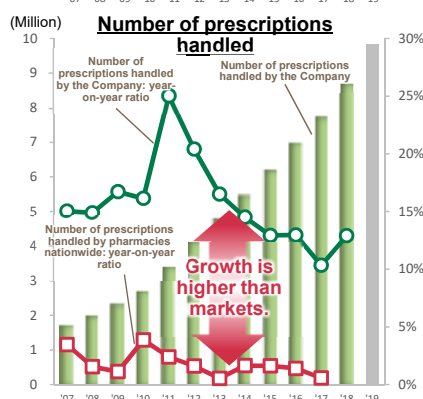
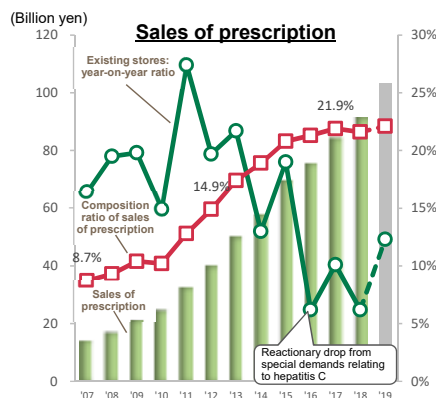
Strengthening of the Medical treatment and Taking medicine area

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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38

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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39

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.