

Financial Results

1st Half - FY Ending February 28, 2023

Supplementary Information

Securities ID Code: 7649, TSE PRIME , NSE PREMIER

SUGI Holdings

September 27. 2022

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Financial Highlights 1st Half - FY Ending February 28, 2023 - Consolidated -

(Note)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the first quarter under review, and figures for the 1st Half of the fiscal year ending February 28, 2023 are applying the Accounting Standard, etc. Therefore, the ratio of year-on-year change is not stated.

Financial results highlight

Operating income exceeded plan due to sales growth in merchandise sales

Net Sales

332,411 million yen

(5.5% decrease from budget)

Operating Income

15,455 million yen

(4.4% increase from budget)

Ordinary Income

15,670 million yen

(2.4% increase from budget)

Net Income

8,977 million yen

(5.5% decrease from budget)

Summary of businesses

- Sales of goods: Increased sales of related products due to the resurgence of COVID-19 and the impact of extreme heat.
- Prescription: Although the number of prescriptions filled continued to increase, profits struggled due to the significant impact of the NHI price revision.
- SG&A: Despite higher electricity costs due to energy price hikes, overall SG&A expenses were within plan due to control of other expenses.
- Other: Strict scrutiny of store potential and Early impairment losses were recognized for some stores.

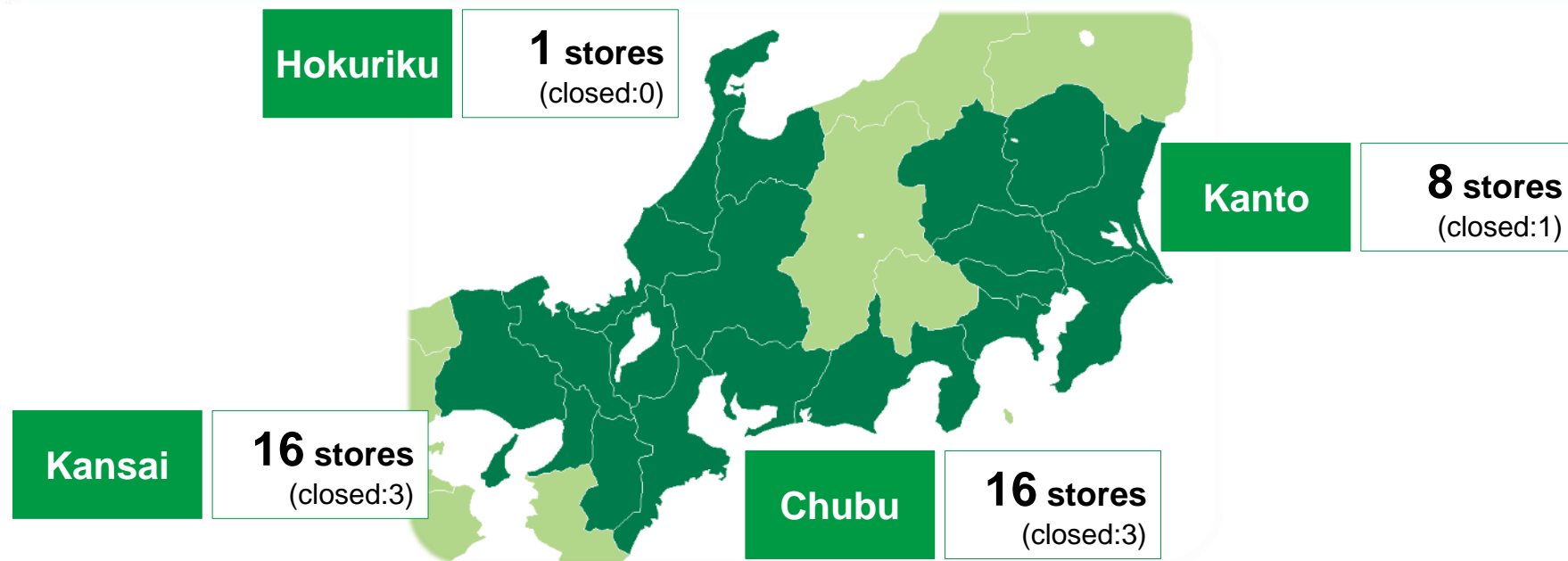
1st Half Financial Highlight - Consolidated -

	FY Ending 2022/2 1H(March to August)		FY Ending 2023/2 1H(March to August) <i>Adoption of Accounting Standard for Revenue Recognition</i>				
	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	314,955	100.0	332,411	100.0	98.3	-5,589	—
Prescription	65,291	20.7	70,404	21.2	95.9	-2,996	—
Product Sales	247,522	78.6	260,135	78.3	100.4	935	—
Others	2,142	0.7	1,872	0.6	34.7	-3,528	—
Gross Profit	94,125	29.9	98,301	29.6	98.4	-1,599	—
Prescription	25,944	39.7	26,737	38.0	92.2	-2,263	—
Product Sales	66,808	27.0	71,682	27.6	101.4	982	—
Others	1,373	64.0	-118	-6.3	—	-318	—
SG&A Expenses	77,993	24.8	82,845	24.9	97.4	-2,255	—
Operating Income	16,131	5.1	15,455	4.6	104.4	655	—
Non-Operating Income	1,478	0.5	1,423	0.4	101.7	23	—
Non-Operating Expenses	930	0.3	1,208	0.4	134.2	308	—
Ordinary Income	16,678	5.3	15,670	4.7	102.4	370	—
Extraordinary Income	0	0.0	0	0.0	—	0	—
Extraordinary Losses	1,949	0.6	2,308	0.7	230.9	1,308	—
Net Income before Income Taxes	14,729	4.7	13,361	4.0	93.4	-939	—
Income Taxes	4,892	1.6	4,384	1.3	91.3	-416	—
Net Income	9,836	3.1	8,977	2.7	94.5	-523	—

June to August Financial Highlight - Consolidated -

	FY Ending 2022/2 June to August		FY Ending 2023/2 June to August <i>Adoption of Accounting Standard for Revenue Recognition</i>				
	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	159,784	100.0	171,282	100.0	99.2	-1,318	—
Prescription	32,474	20.3	34,953	20.4	95.0	-1,847	—
Product Sales	126,588	79.2	135,812	79.3	101.7	2,212	—
Others	722	0.5	517	0.3	23.5	-1,683	—
Gross Profit	48,454	30.3	50,803	29.7	99.4	-297	—
Prescription	12,987	40.0	13,477	38.6	90.5	-1,423	—
Product Sales	35,088	27.7	37,973	28.0	103.5	1,273	—
Others	379	52.5	-647	-125.4	—	-147	—
SG&A Expenses	39,585	24.8	42,019	24.5	97.0	-1,281	—
Operating Income	8,869	5.6	8,783	5.1	112.6	983	—
Non-Operating Income	727	0.5	664	0.4	88.6	-86	—
Non-Operating Expenses	500	0.3	583	0.3	129.8	133	—
Ordinary Income	9,096	5.7	8,864	5.2	109.4	764	—
Extraordinary Income	0	0.0	0	0.0	—	0	—
Extraordinary Losses	1,816	1.1	2,306	1.3	230.6	1,306	—
Net Income before Income Taxes	7,280	4.6	6,557	3.8	92.4	-543	—
Income Taxes	2,422	1.5	2,188	1.3	95.2	-112	—
Net Income	4,857	3.0	4,369	2.6	91.0	-431	—

New store openings



Summary

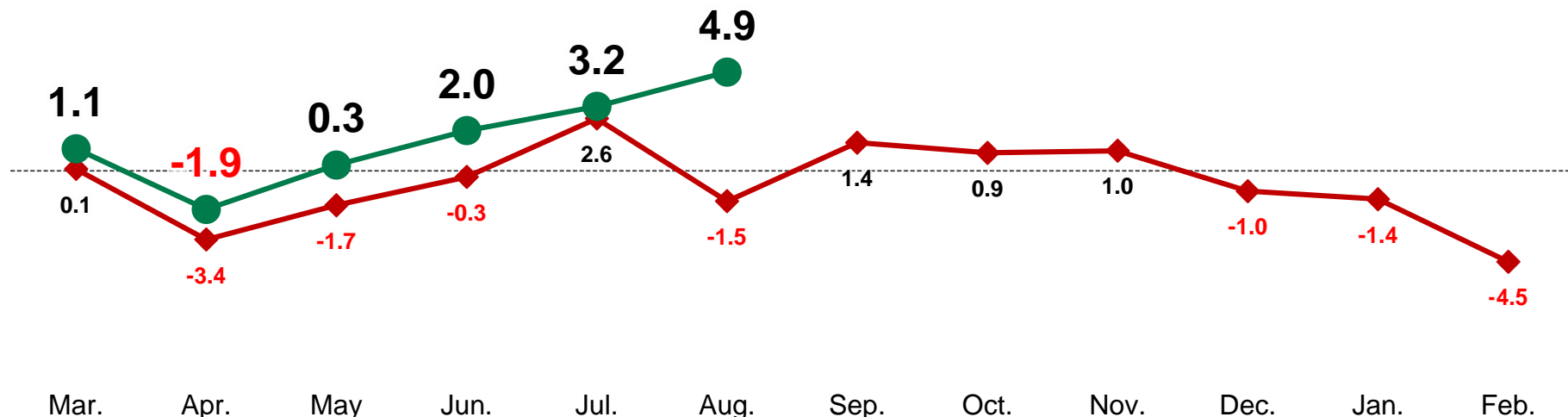
- As a result of opening 41 stores and closing 7 stores, the total number of stores as of the end of August was 1,517.
- As of the end of August, the number of stores in each area was 408 in Kanto, 539 in Chubu, 515 in Kansai, and 55 in Hokuriku.
- As a result of the opening of new stores, the percentage of stores with dispensing facilities was 84.7% (Sugi Pharmacy business only).

The Group's existing stores sales growth rate

Q2 (Jun. to Aug.) : +3.4%

—◆— FY ended Feb. 2022 —●— FY ended Feb. 2023

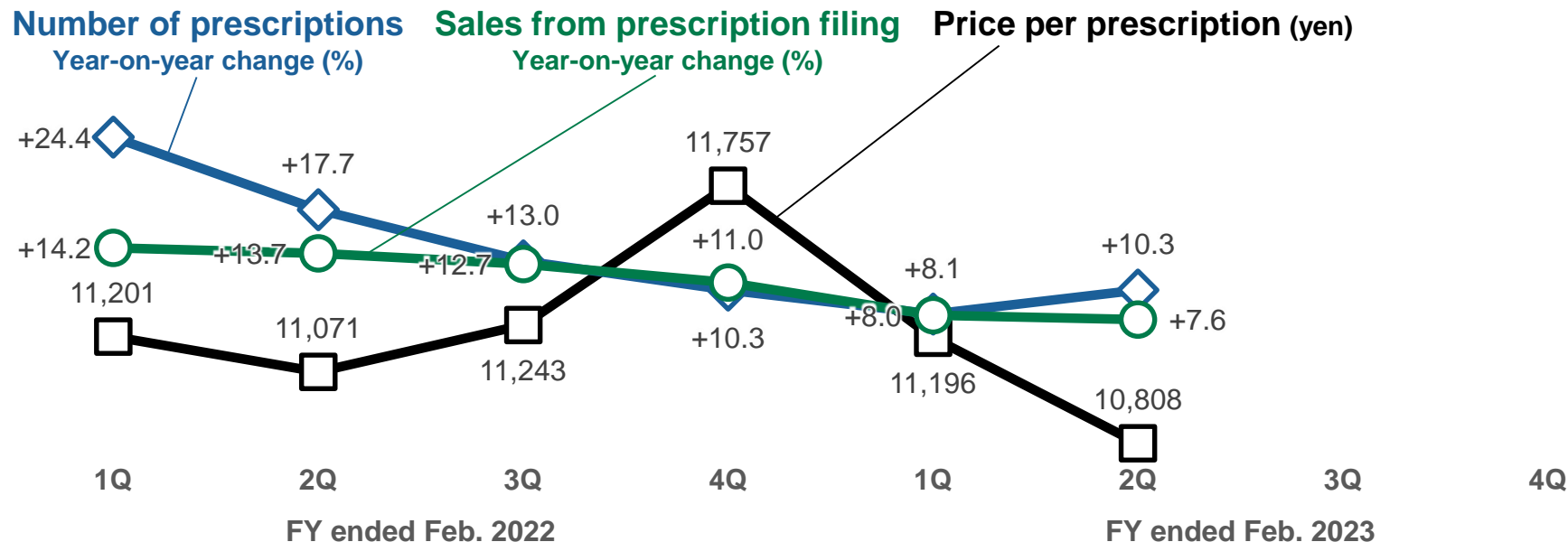
(%)



Summary

- Net sales (up 1.7% year on year) : Sales of goods are trending favorably due to a turnaround in external conditions.
- Number of customers (up 2.2% year on year) : Creating a sales floor that meets customer needs leads to increased frequency of store visits.
- Sales per customer (down 0.6% year on year) : Decreasing trend in average spend per customer in line with rising food sales.

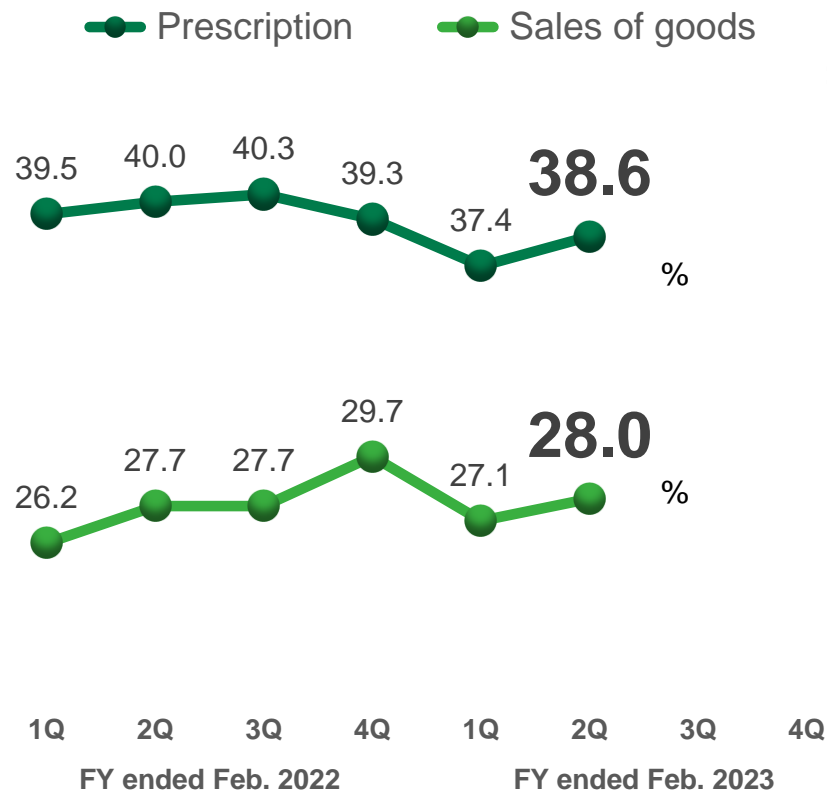
Changes in the number of prescriptions and price per prescription



Summary

- Dispensing Sales : Continued sales expansion trend with increase in the number of dispensing outlets.
- Number of prescriptions received : Double-digit increase in June-August, despite low pollen counts and temporary suppression of visits due to coronas
- Prescription unit price: : Unit prices are declining due to the impact of NHI price revision.

Changes in gross profit margin



Gross operating margin progressed as planned due to higher gross margin on merchandise sales

Prescription

- Profit margin of 38.0% in 1H was lower than planned due to the significant impact of the NHI price revision.

Sales of goods

(Entire Group)

- Higher-than-expected profit margin in the first half rose to 27.6%, driven by increased sales of seasonal goods, etc.

(By segment)

- Health Care profit margins rise due to growth in COVID-19-related goods.
- Sales of cosmetics increased slightly, but the profit margin of beauty products increased due to growth in seasonal products.

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 2022/2 1H	FY 2023/2 1H				FY 2022/2 1H	FY 2023/2 1H			
	Results	Budget	Results			Results	Budget	Results		
Prescription	20.9	22.1	21.3	95.9	107.8	39.7	39.5	38.0	-1.5	-1.7
Product sales	79.1	77.9	78.7	100.4	105.1	27.0	27.3	27.6	+0.3	+0.6
Healthcare	19.4	19.5	19.7	100.1	107.4	38.8	39.4	40.0	+0.6	+1.2
Beauty	17.2	17.9	17.3	95.9	106.2	31.7	30.9	32.0	+1.1	+0.3
Household wares	19.6	18.6	19.2	102.5	103.2	23.8	23.6	23.9	+0.3	+0.1
Foods	22.7	21.7	22.4	102.5	104.2	16.2	16.6	16.4	-0.2	+0.2
Other	0.2	0.2	0.2	96.7	81.2	14.8	19.0	20.1	+1.1	+5.3

Selling and general administrative expenses

Continued to control expenses within plan

(in million yen, %)	FY ended Feb. 2022 1H		FY ended Feb. 2023 1H Adoption of Accounting Standard for Revenue Recognition			
	Results	% of sales	Results	% of sales	% of budget	% of previous year
Net sales	314,955	100.0	332,411	100.0	98.3	—
Total selling expenses	3,312	1.1	2,154	0.6	86.2	—
Personnel expenses	39,536	12.6	41,788	12.6	98.3	—
General administrative expense	35,145	11.2	38,902	11.7	97.0	—
Selling and administrative expenses	77,993	24.8	82,845	24.9	97.4	—

Selling expense

- Continued efficient sales promotion measures centered on app sales promotions.
- Implemented leaflet sales promotion tailored to area characteristics to acquire new customers.

Personnel expenses

- Improving work efficiency through proper allocation and review of operations.
- Promote task shifting from pharmacists to medical clerks.

General administrative expense

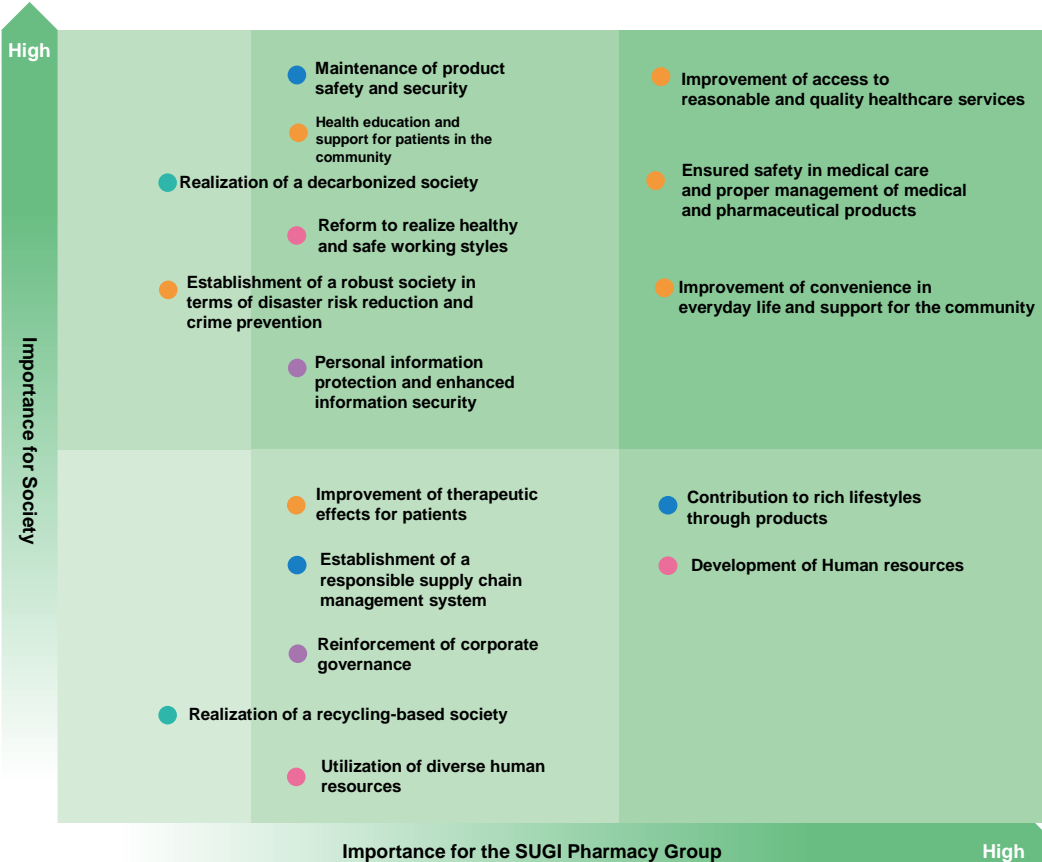
- Higher electricity costs due to rising energy prices.
- Related costs are below plan due to rescheduling of major renovations.
- Increase in payment fees due to increase in cashless payments.

Initiatives for Promotion of ESG

Initiatives for Promotion of ESG (1)



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



Initiatives for Promotion of ESG (2)



- Providing home-visit prescription dispensing, home-visit nursing, and life support services



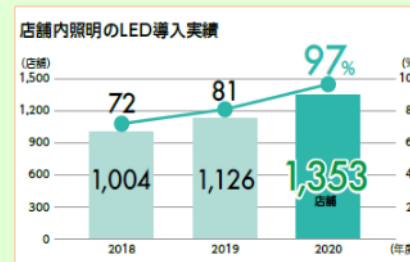
- Increasing the ratio of women in managerial positions to 30% by the end of FY2029



Female sales manager and area manager who are working actively in the Company



- Saving electricity in daily store operations
- Introducing power-saving equipment
- Installing solar panels
- Introducing renewable energy
- Reducing waste



Initiatives for Promotion of ESG (3)



- Developing gender-neutral products based on the concept of diversity



- Implementing the “*Temaedorī*” (purchasing products placed in the front line of shelves) campaign to reduce food loss



- Developing eco-friendly private brands



- Creating a resilient society against disasters in cooperation with local governments



Toyohashi City, Aichi Fujita Academy

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.

Appendix

Store Openings and Closings

Nos. of stores by region	FY2022/2 Full Year	FY2023/2 1st Half			Forecast after September 2022		FY 2023/2 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	401	8	1	408	29	5	37	6	+31	432
Chubu Region	526	16	3	539	21	5	37	8	+29	555
Hokuriku Region	54	1	0	55	6	0	7	0	+7	61
Kansai Region	502	16	3	515	23	3	39	6	+33	535
Total	1,483	41	7	1,517	79	13	120	20	+100	1,583

Nos. of stores by company	FY2022/2 Full Year	FY2023/2 1st Half				Forecast after September 2022			FY 2023/2 Full Year forecast				
	As of the Term-End	Store Openings	Store Closings	Store format conversion	As of the Term-End	Store Openings	Store Closings	Store format conversion	Store Openings	Store Closings	Store format conversion	Change	As of the Term-End
Sugi Pharmacy	1,363	40	6	0	1,397	78	12	0	118	18	0	+100	1,463
Japan	107	0	1	0	106	0	1	0	0	2	0	-2	105
Visit Nursing Care ST	13	1	0	0	14	1	0	0	2	0	0	+2	15
Total	1,483	41	7	0	1,517	79	13	0	120	20	0	+100	1,583

1st Half Financial Highlight - Consolidated -

	FY Ending 2022/2 1H(March to August)		FY Ending 2023/2 1H(March to August) <i>Adoption of Accounting Standard for Revenue Recognition</i>				
	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	314,955	100.0	332,411	100.0	98.3	-5,589	—
Sugi Pharmacy business	285,258	90.6	305,308	91.8	99.4	-1,892	—
Japan business	27,555	8.7	25,230	7.6	99.3	-170	—
Others	2,142	0.7	1,872	0.6	34.7	-3,528	—
Gross Profit	94,125	29.9	98,301	29.6	98.4	-1,599	—
Sugi Pharmacy business	86,976	30.5	93,062	30.5	98.7	-1,238	—
Japan business	5,777	21.0	5,358	21.2	99.2	-42	—
Others	1,373	64.0	-118	-6.3	—	-318	—
SG&A Expenses	77,993	24.8	82,845	24.9	97.4	-2,255	—
Operating Income	16,131	5.1	15,455	4.6	104.4	655	—
Non-Operating Income	1,478	0.5	1,423	0.4	101.7	23	—
Non-Operating Expenses	930	0.3	1,208	0.4	134.2	308	—
Ordinary Income	16,678	5.3	15,670	4.7	102.4	370	—
Extraordinary Income	0	0.0	0	0.0	—	0	—
Extraordinary Losses	1,949	0.6	2,308	0.7	230.9	1,308	—
Net Income before Income Taxes	14,729	4.7	13,361	4.0	93.4	-939	—
Income Taxes	4,892	1.6	4,384	1.3	91.3	-416	—
Net Income	9,836	3.1	8,977	2.7	94.5	-523	—

1st Half SG&A Expenses Status - Consolidated -

	FY Ending 2022/2 1H (March to August)		FY Ending 2023/2 1H (March to August) Adoption of Accounting Standard for Revenue Recognition			
	Results (in million yen)	Ratio to Sales (%)	Results (in million yen)	Ratio to Sales (%)	Y o Y (%)	Results (in million yen)
Net Sales	314,955	100.0	332,411	100.0	98.3	—
Total Selling Expenses	3,312	1.1	2,154	0.6	86.2	—
Advertising Expenses	1,973	0.6	2,040	0.6	84.9	—
Premium Expenses	1,338	0.4	113	0.0	117.5	—
Personnel Expenses	39,536	12.6	41,788	12.6	98.3	—
Total Administrative Expenses	35,145	11.2	38,902	11.7	97.0	—
Rent Expenses	15,953	5.1	17,050	5.1	99.1	—
Depreciation Expenses	5,268	1.7	5,858	1.8	94.5	—
Utilities Expenses	2,184	0.7	3,302	1.0	103.2	—
Supplies Expenses	1,930	0.6	1,816	0.5	69.9	—
Tax and Public Charges	2,658	0.8	2,976	0.9	99.2	—
Commission Paid	3,584	1.1	3,820	1.1	100.5	—
Others	3,565	1.1	4,077	1.2	99.4	—
Total SG&A Expenses	77,993	24.8	82,845	24.9	97.4	—

Sales Trend by Product Group - Sugi -

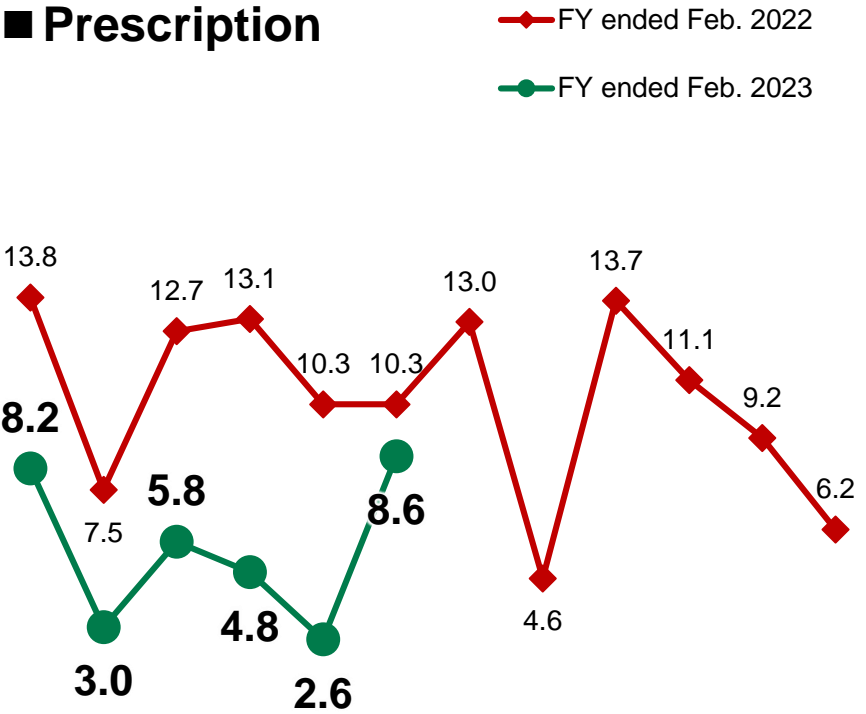
(%)	Composition Ratio			Sales vs. Budget	Sales Y o Y	Gross Profit Margin			Gross Profit vs. Budget	Gross Profit vs. Y o Y
	FY 2022/2 1H	FY 2023/2 1H				FY 2022/2 1H	FY 2023/2 1H			
	Results	Budget	Results			Results	Budget	Results		
Prescription	22.9	23.9	23.1	95.9	107.8	39.7	39.5	38.0	-1.5	-1.7
Healthcare	20.3	20.3	20.4	100.1	107.9	38.9	39.4	40.0	+0.6	+1.1
Beauty	18.1	18.7	18.1	95.9	106.7	31.9	31.0	32.1	+1.1	+0.2
Household wares	19.5	18.4	19.1	102.8	104.5	23.7	23.6	23.8	+0.2	+0.1
Foods	19.1	18.6	19.3	103.2	108.1	16.2	16.7	16.6	-0.1	+0.4
Other	0.1	0.1	0.1	100.3	90.6	20.6	25.8	31.3	+5.5	+10.7
Total	100.0	100.0	100.0	99.4	107.0	30.5	30.7	30.5	-0.2	±0.0

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 2022/2 1H	FY 2023/2 1H				FY 2022/2 1H	FY 2023/2 1H			
	Results	Budget	Results			Results	Budget	Results		
Healthcare	10.2	10.6	10.7	100.1	95.5	37.5	38.8	39.6	+0.8	+2.1
Beauty	7.9	8.5	8.2	96.2	94.9	28.4	27.6	29.9	+2.3	+1.5
Household wares	20.5	20.2	20.3	99.9	90.8	24.9	24.6	24.7	+0.1	-0.2
Foods	59.6	59.2	59.4	99.6	91.2	16.1	16.3	15.8	-0.5	-0.3
Other	1.7	1.5	1.4	94.4	75.8	11.4	14.5	12.3	-2.2	+0.9
Total	100.0	100.0	100.0	99.3	91.6	21.0	21.3	21.2	-0.1	+0.2

Existing Stores Sales Growth Rate

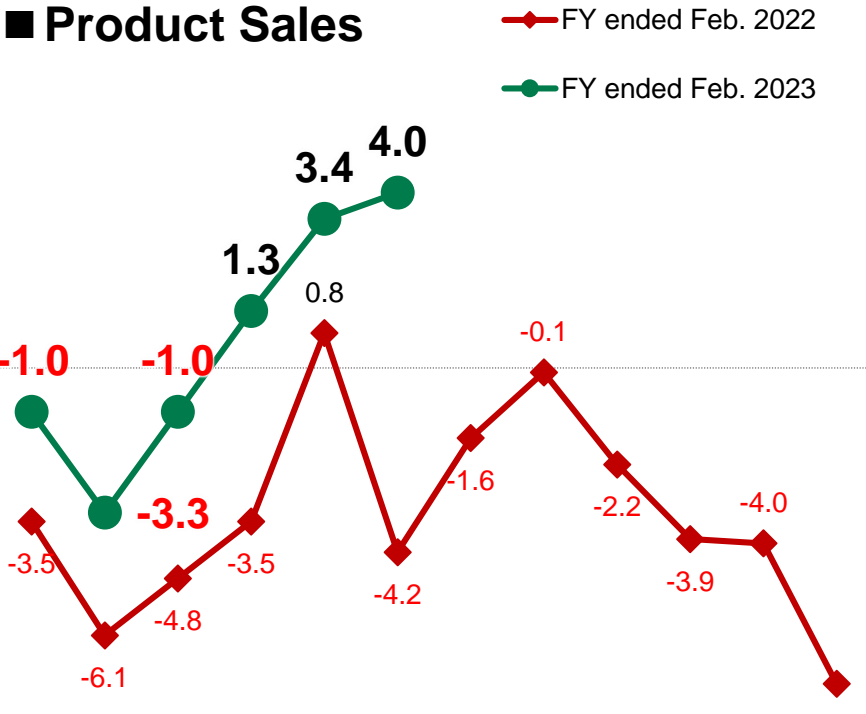
■ Prescription



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

Q2 (Jun. to Aug.): +5.3%

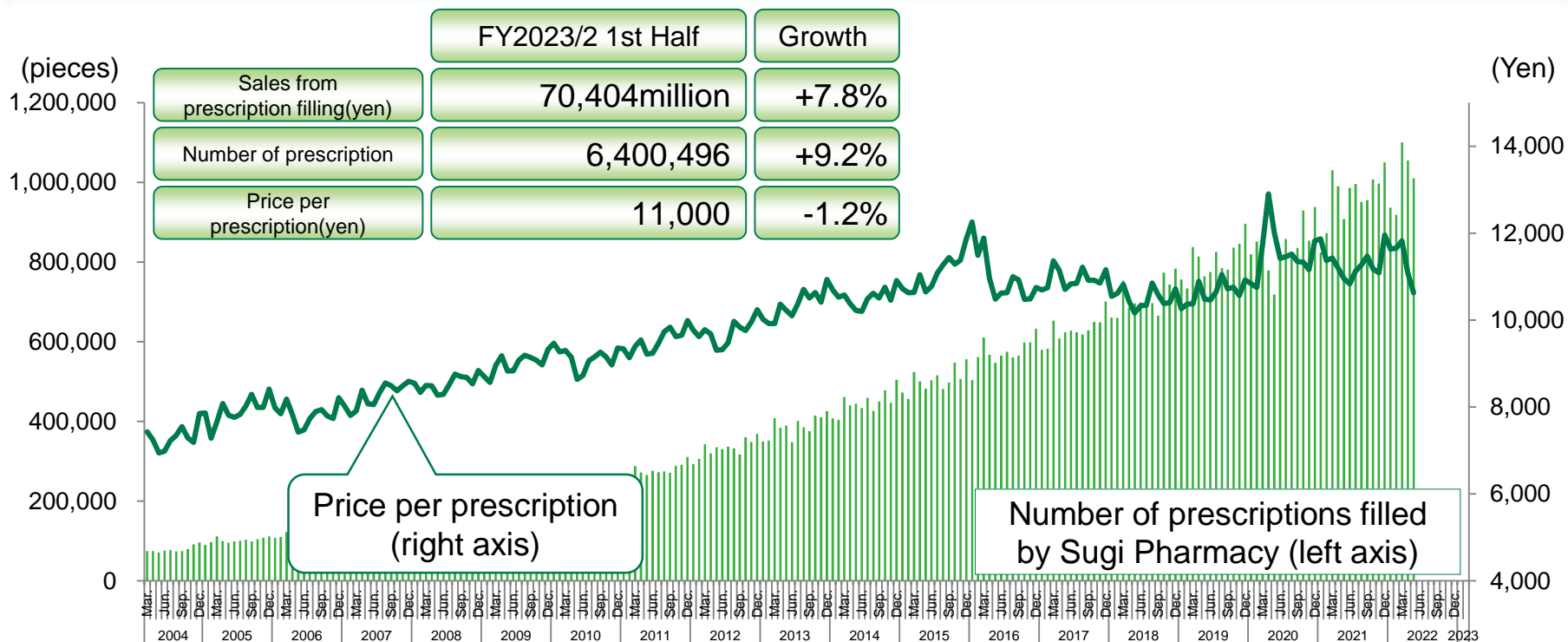
■ Product Sales



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

Q2 (Jun. to Aug.): +2.9%

Trends in the Number of Prescriptions and Price per Prescription



	FY 2010/2	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
Number of prescriptions	2,346,349	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
Avg. price / prescription(yen)	9,115	9,107	9,596	9,747	10,450	10,548	11,270	10,810	10,917	10,471	10,707	11,642	11,317

In-home Medical Care Services – As of August. 31, 2022

