

Financial Results

3rd Quarter - FY Ending February 28, 2023

Supplementary Information

Securities ID Code: 7649, TSE PRIME , NSE PREMIER



Financial Highlights 3rd Quarter

- 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 third quarter of the fiscal year ending February 28, 2023 are applying the Accounting Standard. Therefore, the ratio of year-on-year change is not stated.

Financial results highlight

Continued to exceed profit targets due to solid product sales

Net Sales **495,991** million yen
(1.3% decrease from budget)

Operating Income **21,900** million yen
(2.8% increase from budget)

Ordinary Income **22,393** million yen
(1.8% increase from budget)

Net Income **14,166** million yen
(1.2% increase from budget)

Summary of businesses

- Sales of goods: Increased sales of related products due to the resurgence of COVID-19.
- 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.

3rd Quarter Financial Highlight - Consolidated -

	FY Ending 2022/2 3Q (March to November)		FY Ending 2023/2 3Q (March to November) Adoption of Accounting Standard for Revenue Recognition				
	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	466,528	100.0	495,991	100.0	98.7	-6,609	—
Prescription	98,581	21.1	105,961	21.4	95.6	-4,839	—
Product Sales	364,266	78.1	386,590	77.9	100.2	790	—
Others	3,681	0.8	3,440	0.7	57.3	-2,560	—
Gross Profit	140,928	30.2	147,700	29.8	98.6	-2,100	—
Prescription	39,360	39.9	40,809	38.5	92.5	-3,291	—
Product Sales	99,129	27.2	106,724	27.6	101.4	1,424	—
Others	2,439	66.3	167	4.9	41.9	-233	—
SG&A Expenses	117,647	25.2	125,800	25.4	97.9	-2,700	—
Operating Income	23,281	5.0	21,900	4.4	102.8	600	—
Non-Operating Income	2,183	0.5	2,213	0.4	105.4	113	—
Non-Operating Expenses	1,449	0.3	1,720	0.3	122.9	320	—
Ordinary Income	24,015	5.1	22,393	4.5	101.8	393	—
Extraordinary Income	0	0.0	1,001	0.2	—	1,001	—
Extraordinary Losses	1,978	0.4	2,377	0.5	237.8	1,377	—
Net Income before Income Taxes	22,037	4.7	21,016	4.2	100.1	16	—
Income Taxes	7,286	1.6	6,850	1.4	97.9	-150	—
Net Income	14,750	3.2	14,166	2.9	101.2	166	—

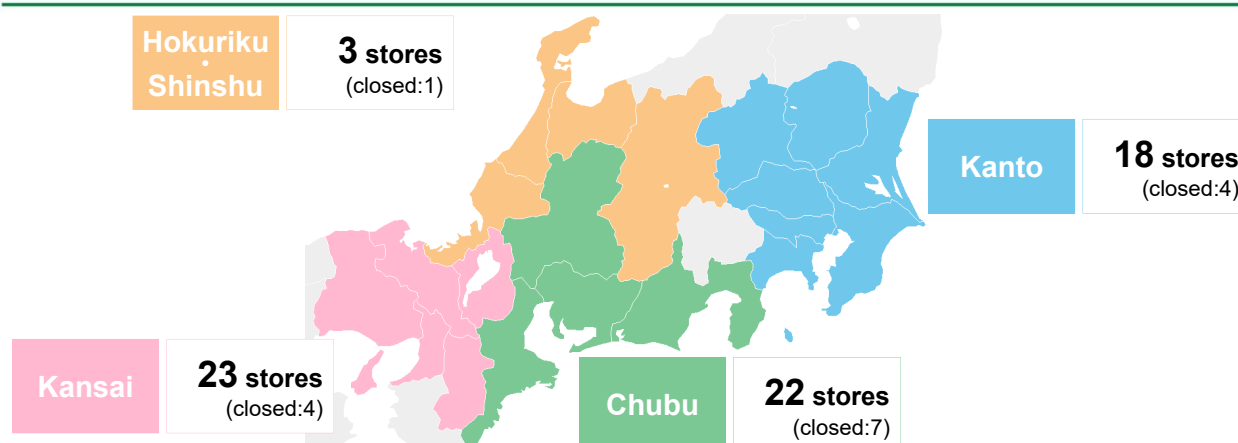
Three months to November 2022 Financial Highlight - Consolidated -

	FY Ending 2022/2 September to November		FY Ending 2023/2 September to November Adoption of Accounting Standard for Revenue Recognition				
	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	151,573	100.0	163,580	100.0	99.4	-1,020	—
Prescription	33,290	22.0	35,557	21.7	95.1	-1,843	—
Product Sales	116,744	77.0	126,455	77.3	99.9	-145	—
Others	1,539	1.0	1,568	1.0	261.3	968	—
Gross Profit	46,803	30.9	49,399	30.2	99.0	-501	—
Prescription	13,415	40.3	14,072	39.6	93.2	-1,028	—
Product Sales	32,320	27.7	35,041	27.7	101.3	441	—
Others	1,068	69.4	286	18.3	143.3	86	—
SG&A Expenses	39,653	26.2	42,954	26.3	99.0	-446	—
Operating Income	7,149	4.7	6,445	3.9	99.2	-55	—
Non-Operating Income	705	0.5	789	0.5	112.8	89	—
Non-Operating Expenses	518	0.3	512	0.3	102.5	12	—
Ordinary Income	7,336	4.8	6,722	4.1	100.3	22	—
Extraordinary Income	0	0.0	1,001	0.6	—	1,001	—
Extraordinary Losses	29	0.0	68	0.0	—	68	—
Net Income before Income Taxes	7,307	4.8	7,654	4.7	114.3	954	—
Income Taxes	2,393	1.6	2,466	1.5	112.1	266	—
Net Income	4,913	3.2	5,188	3.2	115.3	688	—

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New store openings



Summary

- As a result of opening 66 stores and closing 16 stores, the total number of stores as of the end of November was 1,533.
- As of the end of November, the number of stores in each area was 415 in Kanto, 541 in Chubu, 521 in Kansai, and 56 in Hokuriku/Shinshu.
- As a result of the opening of new stores, the percentage of stores with dispensing facilities was 85.1% (Sugi Pharmacy business only).

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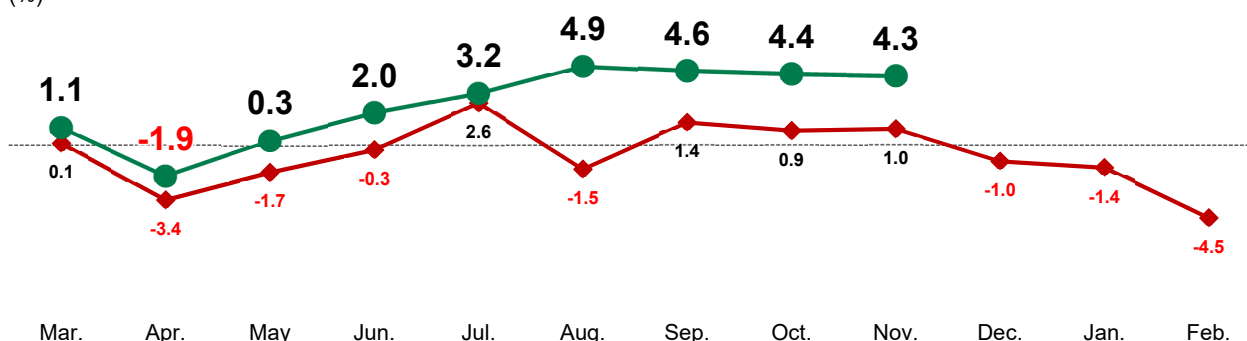
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The Group's existing stores sales growth rate

Q3 (Sep. to Nov.) : +4.4%

— FY ended Feb. 2022 — FY ended Feb. 2023

(%)



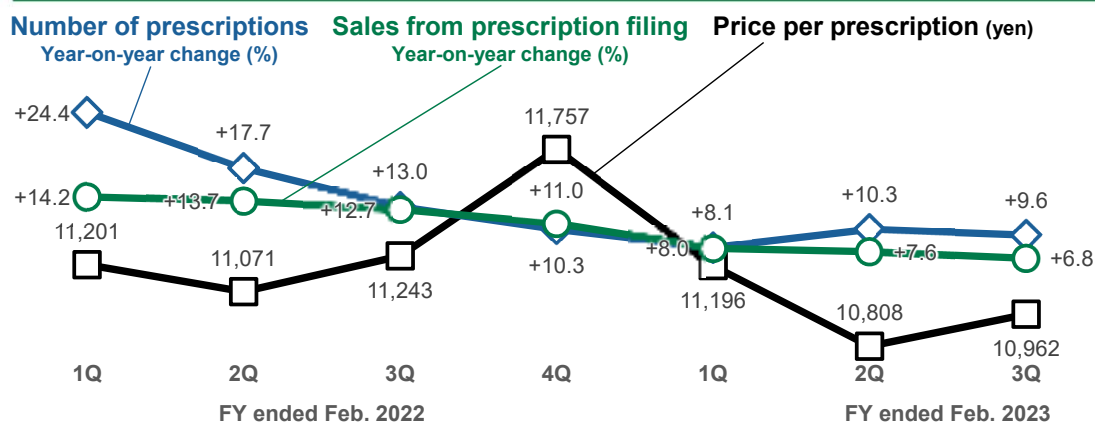
Summary

- Net sales (up 2.7% year on year) : Retail sales remained strong due to increased opportunities to go out and reemergence of infection from the novel coronavirus.
- Number of customers (down 0.4% year on year) : Partial review of sales promotion methods to reduce cash register congestion.
- Sales per customer (up 3.0% year on year) : Sales per customer increased due to a review of sales promotion methods and selling prices.

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Changes in the number of prescriptions and price per prescription



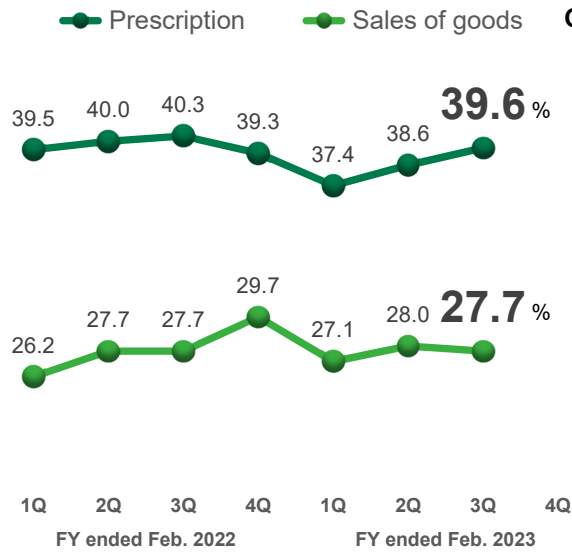
Summary

- Dispensing Sales : Continued sales expansion trend with increase in the number of dispensing outlets.
- Number of prescriptions received : The number of prescriptions filled is sluggish due to the spread of corona infection.
- Prescription unit price : Unit prices are declining due to the impact of NHI price revision.

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Changes in gross profit margin



Gross operating margin continues to progress as planned due to an increase in merchandise sales profit margin

Prescription

- Profit margin continues to fall short of plan and prior year due to the significant impact of the NHI price revision.

Sales of goods

(Entire Group)

- By securing profit margins that exceeded the plan in all segments, overall merchandise sales also continued to exceed the plan.

(By segment)

- Modest recovery in demand for cosmetics contributed to higher profit margins in the Beauty Division.
- Maintain profit margin in Home Division by reviewing prices and strengthening sales of value-added 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 3Q	FY 2023/2 3Q				FY 2022/2 3Q	FY 2023/2 3Q			
	Results	Budget	Results			Results	Budget	Results		
Prescription	21.3	22.3	21.5	95.6	107.5	39.9	39.8	38.5	-1.3	-1.4
Product sales	78.7	77.7	78.5	100.2	106.1	27.2	27.3	27.6	+0.3	+0.4
Healthcare	19.4	19.5	19.7	100.4	107.9	39.2	39.4	39.9	+0.5	+0.7
Beauty	17.0	17.9	17.1	94.9	107.0	31.5	30.9	31.8	+0.9	+0.3
Household wares	19.4	18.5	19.1	102.2	104.6	24.1	23.6	24.1	+0.5	±0.0
Foods	22.6	21.6	22.4	102.8	105.6	16.5	16.6	16.7	+0.1	+0.2
Other	0.2	0.2	0.2	94.8	81.3	16.2	19.0	19.4	+0.4	+3.2

Selling and general administrative expenses

Continue to control SG&A expenses in light of sales

(in million yen, %)	FY ended Feb. 2022 3Q		FY ended Feb. 2023 3Q Adoption of Accounting Standard for Revenue Recognition			
	Results	% of sales	Results	% of sales	% of budget	% of previous year
Net sales	466,528	100.0	495,991	100.0	98.7	—
Total selling expenses	4,975	1.1	3,222	0.6	87.1	—
Personnel expenses	59,358	12.7	62,587	12.6	98.3	—
General administrative expense	53,313	11.4	59,989	12.1	98.2	—
Selling and administrative expenses	117,647	25.2	125,800	25.4	97.9	—

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 expenses are increasing in line with the increase in the number of renovations.
- Increase in payment fees due to increase in cashless payments.

Appendix

Store Openings and Closings

Nos. of stores by region	FY2022/2 Full Year	FY2023/2 3rd Quarter			Forecast after December 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	18	4	415	14	4		32	8	+24	425
Chubu Region	526	22	7	541	11	2		33	9	+24	550
Hokuriku/Shinshu Region	54	3	1	56	5	1		8	2	+6	60
Kansai Region	502	23	4	521	11	2		34	6	+28	530
Total	1,483	66	16	1,533	41	9		107	25	+82	1,565

Nos. of stores by company	FY2022/2 Full Year	FY2023/2 3rd Quarter				Forecast after December 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	65	14	0	1,414	41	9	0	106	23	0	+83	1,446
Japan	107	0	2	0	105	0	0	0	0	2	0	-2	105
Visit Nursing Care ST	13	1	0	0	14	0	0	0	1	0	0	+1	14
Total	1,483	66	16	0	1,533	41	9	0	107	25	0	+82	1,565

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3rd Quarter Financial Highlight - Consolidated -

	FY Ending 2022/2 3Q(March to November)		FY Ending 2023/2 3Q(March to November) Adoption of Accounting Standard for Revenue Recognition				
	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	466,528	100.0	495,991	100.0	98.7	-6,609	—
Sugi Pharmacy business	423,204	90.7	455,350	91.8	99.2	-3,550	—
Japan business	39,643	8.5	37,201	7.5	98.7	-499	—
Others	3,681	0.8	3,440	0.7	57.3	-2,560	—
Gross Profit	140,928	30.2	147,700	29.8	98.6	-2,100	—
Sugi Pharmacy business	130,032	30.7	139,567	30.7	98.7	-1,833	—
Japan business	8,457	21.3	7,965	21.4	99.6	-35	—
Others	2,439	66.3	167	4.9	41.9	-233	—
SG&A Expenses	117,647	25.2	125,800	25.4	97.9	-2,700	—
Operating Income	23,281	5.0	21,900	4.4	102.8	600	—
Non-Operating Income	2,183	0.5	2,213	0.4	105.4	113	—
Non-Operating Expenses	1,449	0.3	1,720	0.3	122.9	320	—
Ordinary Income	24,015	5.1	22,393	4.5	101.8	393	—
Extraordinary Income	0	0.0	1,001	0.2	—	1,001	—
Extraordinary Losses	1,978	0.4	2,377	0.5	237.8	1,377	—
Net Income before Income Taxes	22,037	4.7	21,016	4.2	100.1	16	—
Income Taxes	7,286	1.6	6,850	1.4	97.9	-150	—
Net Income	14,750	3.2	14,166	2.9	101.2	166	—

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3rd Quarter SG&A Expenses Status - Consolidated -

	FY Ending 2022/2 3Q (March to November)		FY Ending 2023/2 3Q (March to November) <i>Adoption of Accounting Standard for Revenue Recognition</i>			
	Results (in million yen)	Ratio to Sales (%)	Results (in million yen)	Ratio to Sales (%)	Y o Y (%)	Results (in million yen)
Net Sales	466,528	100.0	495,991	100.0	98.7	—
Total Selling Expenses	4,975	1.1	3,222	0.6	87.1	—
Advertising Expenses	2,887	0.6	3,036	0.6	85.3	—
Premium Expenses	2,088	0.4	186	0.0	133.0	—
Personnel Expenses	59,358	12.7	62,587	12.6	98.3	—
Total Administrative Expenses	53,313	11.4	59,989	12.1	98.2	—
Rent Expenses	24,075	5.2	25,780	5.2	98.8	—
Depreciation Expenses	8,224	1.8	9,002	1.8	92.8	—
Utilities Expenses	3,597	0.8	5,623	1.1	114.8	—
Supplies Expenses	2,931	0.6	3,039	0.6	77.9	—
Tax and Public Charges	4,011	0.9	4,486	0.9	97.5	—
Commission Paid	5,185	1.1	5,760	1.2	101.1	—
Others	5,287	1.1	6,295	1.3	101.5	—
Total SG&A Expenses	117,647	25.2	125,800	25.4	97.9	—

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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 3Q	FY 2023/2 3Q				FY 2022/2 3Q	FY 2023/2 3Q			
	Results	Budget	Results			Results	Budget	Results		
Prescription	23.3	24.1	23.3	95.6	107.5	39.9	39.8	38.5	-1.3	-1.4
Healthcare	20.3	20.2	20.5	100.4	108.4	39.2	39.4	39.9	+0.5	+0.7
Beauty	17.9	18.7	17.8	94.9	107.5	31.6	31.0	31.9	+0.9	+0.3
Household wares	19.3	18.4	19.0	102.5	105.7	23.9	23.6	24.0	+0.4	+0.1
Foods	19.1	18.5	19.4	103.8	109.0	16.5	16.7	16.8	+0.1	+0.3
Other	0.1	0.1	0.1	98.8	89.7	22.2	25.8	29.5	+3.7	+7.3
Total	100.0	100.0	100.0	99.2	107.6	30.7	30.8	30.7	-0.1	±0.0

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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 3Q	FY 2023/2 3Q				FY 2022/2 3Q	FY 2023/2 3Q			
	Results	Budget	Results			Results	Budget	Results		
Healthcare	10.3	10.6	10.7	99.3	97.1	38.3	38.6	39.5	+0.9	+1.2
Beauty	7.9	8.5	8.1	94.6	96.2	28.4	27.4	29.7	+2.3	+1.3
Household wares	20.5	20.2	20.3	98.9	93.0	25.2	24.5	24.9	+0.4	-0.3
Foods	59.5	59.2	59.5	99.2	93.8	16.4	16.3	16.0	-0.3	-0.4
Other	1.7	1.5	1.4	92.2	76.2	12.6	14.5	12.4	-2.1	-0.2
Total	100.0	100.0	100.0	98.7	93.8	21.3	21.2	21.4	+0.2	+0.1

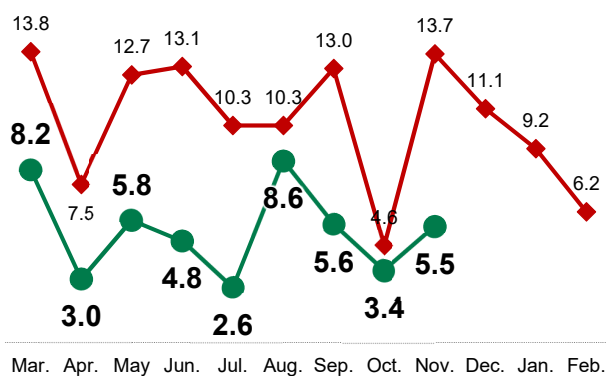
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Existing Stores Sales Growth Rate

■ Prescription

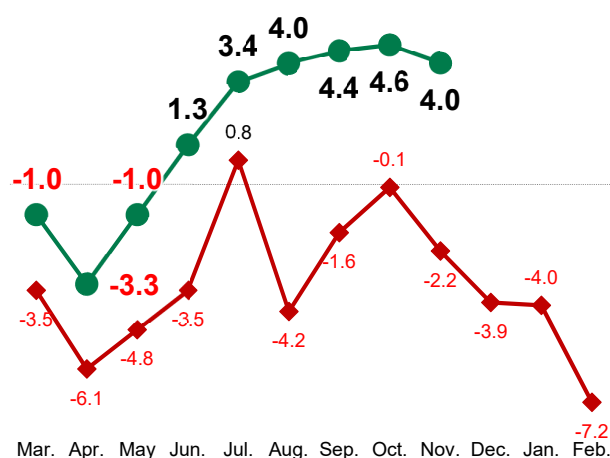
—●— FY ended Feb. 2022
—●— FY ended Feb. 2023



Q3 (Sep. to Nov.): +4.8%

■ Product Sales

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

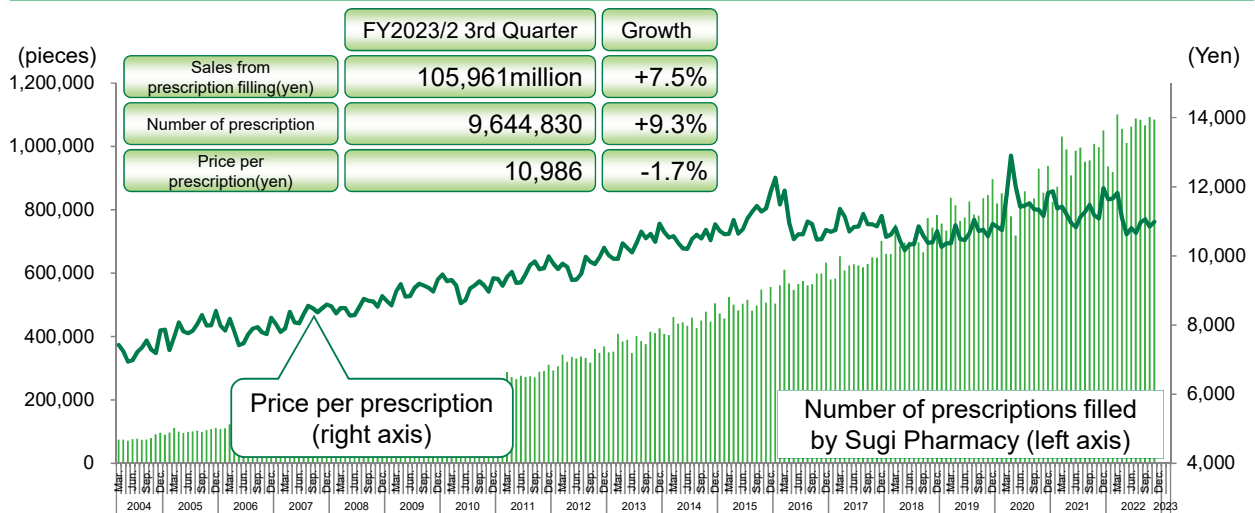


Q3 (Sep. to Nov.): +4.3%

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Trends in the Number of Prescriptions and Price per Prescription

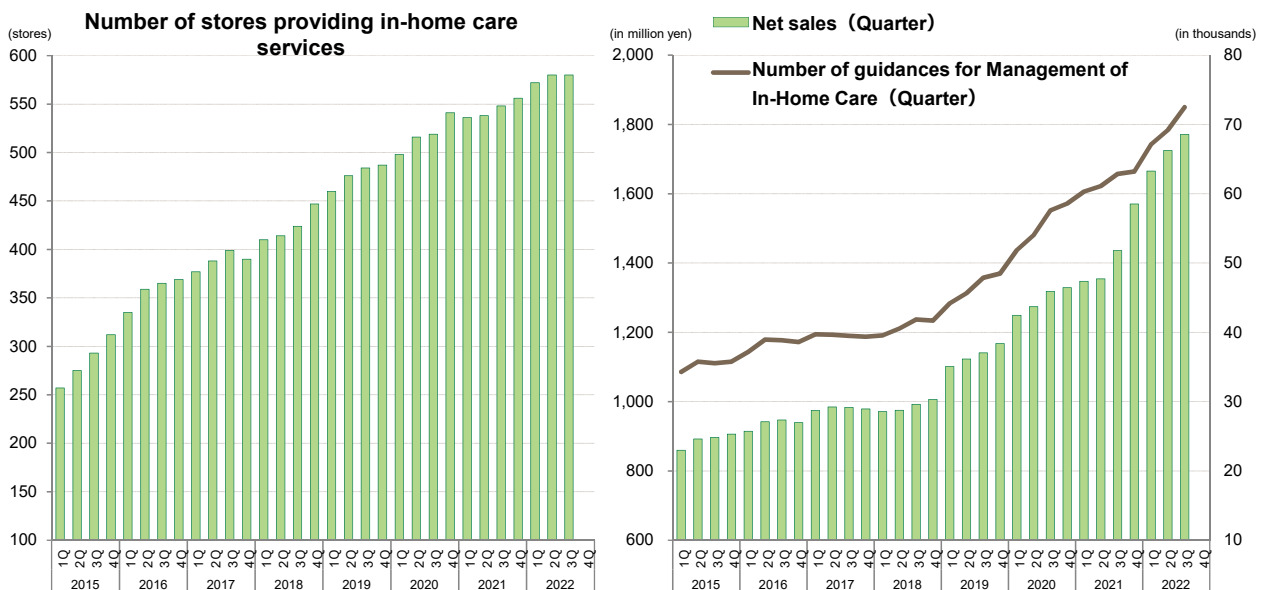


	FY 2010/2	FY 2011/2	FY 2012/2	FY 2013/2	FY 2014/2	FY 2015/2	FY 2016/2	FY 2017/2	FY 2018/2	FY 2019/2	FY 2020/2	FY 2021/2	FY 2022/2
Number of prescriptions	2,346,349	2,725,013	3,408,128	4,103,319	4,782,507	5,473,832	6,181,431	6,982,700	7,704,463	8,698,045	9,833,178	10,101,138	11,729,823
Avg. price / prescription(yen)	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

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



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SUGI PHARMACY Group

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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.