

**SUGI** Holdings

## Profile

The SUGI Pharmacy Group strives to contribute to local communities by underpinning customers' healthy, rich lifestyles and community healthcare.



The history of the SUGI Pharmacy Group began in 1976 from just a 16-tsubo pharmacy in Nishio, Aichi. (1 tsubo = approx. 3.3 m<sup>2</sup>.) Supported since then by local customers for whom we serve as an operator of "family drugstores," we now run approximately 1,300 stores mainly in the Kanto, Chubu, Kansai and Hokuriku regions.

In addition, we have evolved into an operator of community-healthcare drugstores where not only prescription dispensing services but also home healthcare services are available. By assigning highly-specialized human resources, such as pharmacists, beauty advisers and nationally certified dietitians, we live up to the trust placed in us by local customers mainly through counseling services.

In this age of the super-aging society, we promote the lifetime wellness of local residents in fields ranging from primary prevention and secondary prevention, to medical treatment, elderly nursing care and terminal care.



SUGI Pharmacy Group

## SUGI Holdings



### Editorial Policy

This report has been edited for the purpose of presenting the SUGI Pharmacy Group's business philosophy and attitude toward sustainability, and providing stakeholders with easy-to-understand explanations on our activities that are carried out based on this philosophy and attitude, and their results. The report contains data and articles regarding our corporate activities that we deem especially important.

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## The SUGI Pharmacy Group will remain a “pharmacy.” This is the pride of the corporate group and the pride of all employees.

Since our founding, we have aimed to contribute to local communities by selling medical and pharmaceutical products, health foods, cosmetics and daily items, and by dispensing prescriptions. Today, even after we developed into an operator of a chain of approximately 1,300 drugstores with approximately 28,000 employees, we are proud that we will remain a “pharmacy.” We are working to further enhance our corporate value and accomplish sustainable growth of local communities.

Highly acclaimed for its sincere and kind treatment of customers, each of whom was served attentively through its counseling service, our first store thrived as a kind “family pharmacy.” Since then, we have adopted the corporate watchwords of “kindness, honesty and trust” as the principles guiding us to growth. A layer of “kindness” forms “honesty” and leads to the establishment of “trust.” These tenets presented in our corporate watchwords, together with an altruistic spirit, or “sincerity,” are reflected in our management philosophy showing our fundamental values. They have been anchored among all members of our corporate group and put into practice.

Action with “sincerity” based on the tenets of our corporate watchwords and management philosophy with their focal point on “kindness,” which has been the unchanging focus since our establishment, reinforces our business and HR foundation, helps customers smile, and makes them pleased and moved. This leads to the happiness of employees and the growth of the SUGI Pharmacy Group loved by local communities.

### Corporate Watchwords

**Kindness**  
Serve customers with sincerity and kindness.

**Honesty**  
Work with business partners with humility and honesty.

**Trust**  
Be trusted by both customers and business partners.

### Management Philosophy

**<For Society>**  
Strive to create a corporate framework enabling us to contribute to local communities by selling medical and pharmaceutical products, health foods, cosmetics and daily items, and by dispensing prescriptions.

**<For Employees>**  
Strive to create a corporate framework enabling the company to grow together with employees with the aim of ensuring their happiness.

(At the time of the establishment of the company)

## SUGI PHARMACY

Closer to you and more reliable for you  
Serving as the source of your smile

### Vision

We strive to become a close, handy, and reliable partner underpinning the health, hygiene, comfort, and security of local communities.

### Our Pledge

We will continue to make decisions and take action from the perspective of customers.

We will continue to pursue innovation in anticipation of changes both inside and outside our company.

We will continue to expand and deepen our capabilities and grow together with our company.

We will continue to be honest.

We will continue to respect diversity.

### Management Philosophy

We contribute to local communities through our sincere, kind services.

We help many more people smile,  
Hoping for the happiness of each employee,  
Hoping for the happiness of each customer, and  
Hoping for the happiness of everybody



What we aim for with our unchanged determination since our establishment has made us what we are today and will pave the way to the future.



**Hirokazu Sugiura**

Representative Director & Chairman  
SUGI Holdings Co., Ltd.

As a pharmacist, I established SUGI Pharmacy in 1976 in Nishio, Aichi, to provide pharmaceutical support for local residents to enjoy healthy lifestyles and contribute to the local community.

In the SUGI Pharmacy Group, we uphold the corporate watchwords of “kindness, honesty and trust,” which have been passed down for 44 years since our establishment. “Kindness” serves as the starting point of the ties formed between all of our stakeholders—including customers and employees—through their smiles, and if such smiles spread among many more people, the ties will further expand. By ensuring this process, we are aiming to contribute to the sustainable growth of local communities from the perspective of an operator of community-oriented, kind, family drugstores.

Our corporate group’s business model was greatly affected by the U.S. inspection tour that we made right after our founding. As the first prescription dispensing drugstore in Japan, we have been focusing on highly-specialized counseling services and prescription dispensing services. We have laid our present foundation by providing counseling services well-tuned to each customer and implementing strategies properly based on the needs of today’s super-aging society and the needs of health-conscious customers.

A surge in medical costs is unavoidable in a rapidly aging society. To address the national challenge of extended healthy lifespans, it is essential to improve our prescription dispensing services and home healthcare

services more than ever, and further cultivate the fields of primary prevention and secondary prevention. To this end, we are committed to providing a full lineup of services, ranging from advice on customers’ daily lifestyles, such as diet and exercise, to support for alleviating customers’ symptoms, in cooperation with not only our pharmacists, but also our nationally certified dietitians.

The current global spread of COVID-19 is continuing to stir anxiety among citizens about their daily lives, especially in terms of society, the economy and medical care. Filled with a sense of mission as a drugstore operator focusing on prescription dispensing and home healthcare services, we are continuing to manage approximately 1,300 stores through the united efforts of all members of the corporate group. It is highly likely that Japan and the rest of the world will experience a major turning point, which will bring considerable changes to economic and social customs, institutions, and patterns of consumption. No matter what changes will occur, we will respond flexibly based on our management philosophy, conduct daily reviews to identify how to continue to present appropriate value for customers and society, continue taking on challenges in a wide variety of fields, and create a future so that we can celebrate not only the 50th anniversary of our establishment, which will come soon, but also the anniversary that will come in another 50 years.

Sincere, kind services make the SUGI Pharmacy Group sustainable. We are seeking to continue to grow over the next 10 years, and even the next 20 years.



**Eiichi Sakakibara**

Representative Director & President  
SUGI Holdings Co., Ltd.

The strongest points of the SUGI Pharmacy Group lie in our human resources, who embody the concept “kindness” for each customer based on his/her needs and in our management system designed to support such human resources. We take advantage of every opportunity to ensure that our management philosophy, which we have adopted as the principles guiding us to growth, is anchored in each employee and is put into practice. When employing and training pharmacists, beauty advisers, nationally certified dietitians and other specialists, we always place our emphasis on human resources who can embody our management philosophy on a voluntary basis. By continuing these efforts, we can cultivate our employees’ sense of belonging and pass that on to new employees. We are confident that this cycle makes our corporate group’s growth real and sustainable.

We would like to squarely address a wide variety of social problems, such as the SDGs, all the more because the main operation of our corporate group concerns medical care, an important aspect of social contribution. With this background, in FY 2019, we established the Sustainability Basic Policy, designed to focus on the following four issues regarding sustainable corporate activities: Creation of products and services that support perpetual healthy living; Development as a regional base that supports the safety and security of all people; provision of a workplace environment where employees can work comfortably and play active roles; and efficient and environmentally friendly use of products and resources by eliminating overdo, waste and unevenness. By addressing these four issues and striking the best balance between the solution of social issues

and the increase in our corporate value, we would like to fulfill our social responsibility and foster human resources who can embody the aforementioned management philosophy on a voluntary basis.

At our corporate group, we think that in order to unite such human resources and their organizations, we must inevitably ensure good corporate governance. We have therefore established a corporate governance system and implemented the necessary measures. To mention just a few of these, we have not only a board of directors and a board of auditors, but also a nomination and remuneration committee established at our own discretion, with two of its three members being outside directors. Moreover, to prepare for contingency situations that might gravely affect our corporate group’s operations, such as large-scale disasters and pandemics, we also have a risk committee to conduct discussions and make decisions regarding preventive and responsive measures.

Finally, we believe that our continuous growth requires not only mid-to long-term investment in human resources, stores, systems and equipment, but also a further increase in shareholder returns. Our specific policy regarding shareholder returns is to distribute dividends on a stable, continuous basis, while striving to achieve a payout ratio on a consolidated basis of 30% at an early stage. We will continue to operate based on our management philosophy and make steady progress toward becoming an entity that can continue to grow 10 years ahead and even 20 years ahead. In this regard, we sincerely would like to ask for your warm support.





## Promoting the Total Healthcare Strategy to underpin people's health from a wide variety of aspects, and developing our stores to serve as a platform for supporting their health

### Katsunori Sugiura

Representative Director &  
Senior Vice President  
SUGI Holdings Co., Ltd.

## Business Environment and Requirements for Drugstores

### Responding to the super-aging society and taking advantage of digital technology to present a new form of customer experience

For the domestic business environment, it is expected that society will experience not only a change in demographics caused by the super-aging society and a decrease in the working-age population, but also an accelerated change in the industrial structure due to AI, IoT and other types of technological innovation.

Since the beginning of the 2000s, the drugstore market has grown considerably, mainly in the field of healthcare, including prescription dispensing, and also in the field of sales of food products. Advancement of the aging society is pressuring the medical budget, leading to a growth in demand in the areas of primary prevention/secondary prevention and elderly nursing care/daily life support, and to a rise in the expectations placed on drugstore operators with their focus on local communities.

The entire retail industry is seeing a very rapid introduction of digital technology, and also a change in consumer behavior. When purchasing products and services, consumers today check social media to collect information that satisfies their needs, instead of depending on conventional forms of media, such as newspapers and TV commercials, which are used to disseminate information based on mass-marketing. Consequently, it is becoming increasingly important to conduct not only the conventional forms of mass-marketing, but

also One-to-One marketing to provide individuals with information on products and services catering to their needs.

It is, of course, significant to pursue efficiency and convenience by making good use of AI, IoT, etc. to provide products and services to customers. Regardless of the extent of the progress of digitization, however, we believe that we will eventually be required to enable customers to experience face-to-face communication at physical stores, and make our products, services, and customer treatment serve as an opportunity to forge long-lasting ties with such customers.

On the other hand, when looking at the prescription dispensing market, we note the Pharmacy Vision for Patients, released by the Ministry of Health, Labour and Welfare. The ministry is expecting prescription dispensing pharmacies to make a shift by 2035 from the present operation style as "pharmacies located near medical institutions to support the separation of dispensing and prescribing functions." There is a call for prescription dispensing pharmacies to play a major role in the comprehensive community care system, and to become 24-hour home healthcare and health support providers through the use of IoT. Prescription dispensing pharmacies are required to transform themselves into "pharmacies to support the separation of dispensing and prescribing functions with their focus on local patients." High expectations are placed on pharmacies to serve as family pharmacies from which local residents can seek pharmaceutical advice on medicines without hesitation at any time, and to carry out high-level pharmaceutical management.

## Three Growth Strategies to Enhance Our Corporate Value

### Total Healthcare Strategy to maximize customers' lifetime value

In order for the SUGI Pharmacy Group to accomplish even more growth, we need to use digital technology to ensure contact points with customers at all stages, ranging from primary prevention and secondary prevention to medical treatment, elderly nursing care and terminal care, and to provide support for the healthy daily lives of local residents mainly through our corporate group's strong points, namely stores, human resources and our ties with local communities. This constitutes our corporate group's Total Healthcare Strategy.

To satisfy each customer on a continuing basis at every health stage from his/her birth until the end, we will endeavor to enhance our customers' lifetime value through a network formed mainly by physical stores and a digital network of, for example, smartphone apps.

### Evolution to a next-generation store model serving as a health station

To further improve our physical stores, we will evolve the existing model into a next-generation store model to address the super-aging society. To this end, we will focus on the development of community healthcare stores featuring medical institutions, elderly nursing centers, patient nursing stations, etc.

For community healthcare stores, we will reinforce the development of not only "pharmacies with the function of prescription dispensing," which is one of our advantages, but also "pharmacies featuring medical malls or clinics" to serve as a bridge between local patients with even better medical care. In addition, we will also promote the development of "on-the-premises" pharmacies. Unlike

so-called "pharmacies located near medical institutions," such pharmacies are situated on the premises of medical institutions to support increasingly sophisticated medical care and accommodate the needs of both doctors and patients. By developing these three types of community healthcare stores, we will evolve into an operator of health stations with a focus on local communities.

Furthermore, to respond to changes in social needs, such as increases in the number of senior citizens who find it difficult to go shopping and the number of double-income couples, we will improve our lineup of microwave meals and so-called "smile care foods" for senior citizens, and thereby strive to develop into an operator of even more convenient, one-stop shopping centers.

### Creating new value through cooperation with like-minded stakeholders

We will present a wide variety of suggestions to create new value in the belief that we can cause innovation in the healthcare industry by integrating physical stores, highly specialized human resources, such as pharmacists and nationally certified dietitians, and future digital technology.

As a corporate group aiming to develop a business model to cater to all customers at their different health stages, we strive to establish close ties with and gain the trust of local governments, companies and their health insurance associations, and medical and elderly nursing-care workers. To provide even more in-depth services even more extensively and promptly, we would like to promote our strategy through cooperation and collaboration with like-minded local governments and companies.

## Continuing to Improve the Quality of Our Operations All the More Because Our Operations Themselves Contribute to Society

Presently, we are pushing forward with the Total Healthcare Strategy, thereby facilitating our expansion in terms of both quality and quantity. We understand that this means that our social responsibilities are also increasing considerably. A wide variety of social challenges are now becoming evident and more serious, including the aging population, lower birthrate and a declining population in Japan, as well as climate change, resource problems and human rights issues both at home and abroad.

We are confident that our operations themselves, which are intended to accommodate local needs with our foothold in pharmacies and drugstores, contribute to local communities and society. We believe that we can achieve sustainable corporate growth if we can realize our corporate group's management philosophy by acting as a corporate group focusing on local communities, adapting to social changes, living up to the demands and expectations of stakeholders, solving social problems and contributing to the formation of a sustainable society.



# The Growth of the SUGI Pharmacy Group

## Toward an Operator of "Family Drugstores" Serving as the Cornerstone of Lifetime Support

Partly because both the present Chairman Hirokazu Sugiura and the present Adviser Akiko Sugiura are both pharmacists, the SUGI Pharmacy Group displays a firm sense of determination especially in terms of prescription dispensing services. This has led us to take on the challenge of developing a chain of prescription dispensing drugstores, which were still rare in Japan at the time of our establishment. In addition, we have been working on the provision of home healthcare services since our early days in order to serve as a vital part of the infrastructure for local communities by providing services truly required by customers and underpinning the super-aging society. We will secure a wide variety of contact points between customers and our human resources, who boast high-level expertise and who have inherited our sense of determination since our establishment, plus digital contact points through the use of apps, for which demand is expected to grow in the future. In this way, we will endeavor to present value required by customers.

1976~

Original business model  
Prescription dispensing drugstore



Launch as a small "family pharmacy" in Nishio, Aichi



Establishment

2002~

Expansion of the operating area into the Kanto and Kansai regions



2002

Launch of home-visit prescription dispensing service

2005~

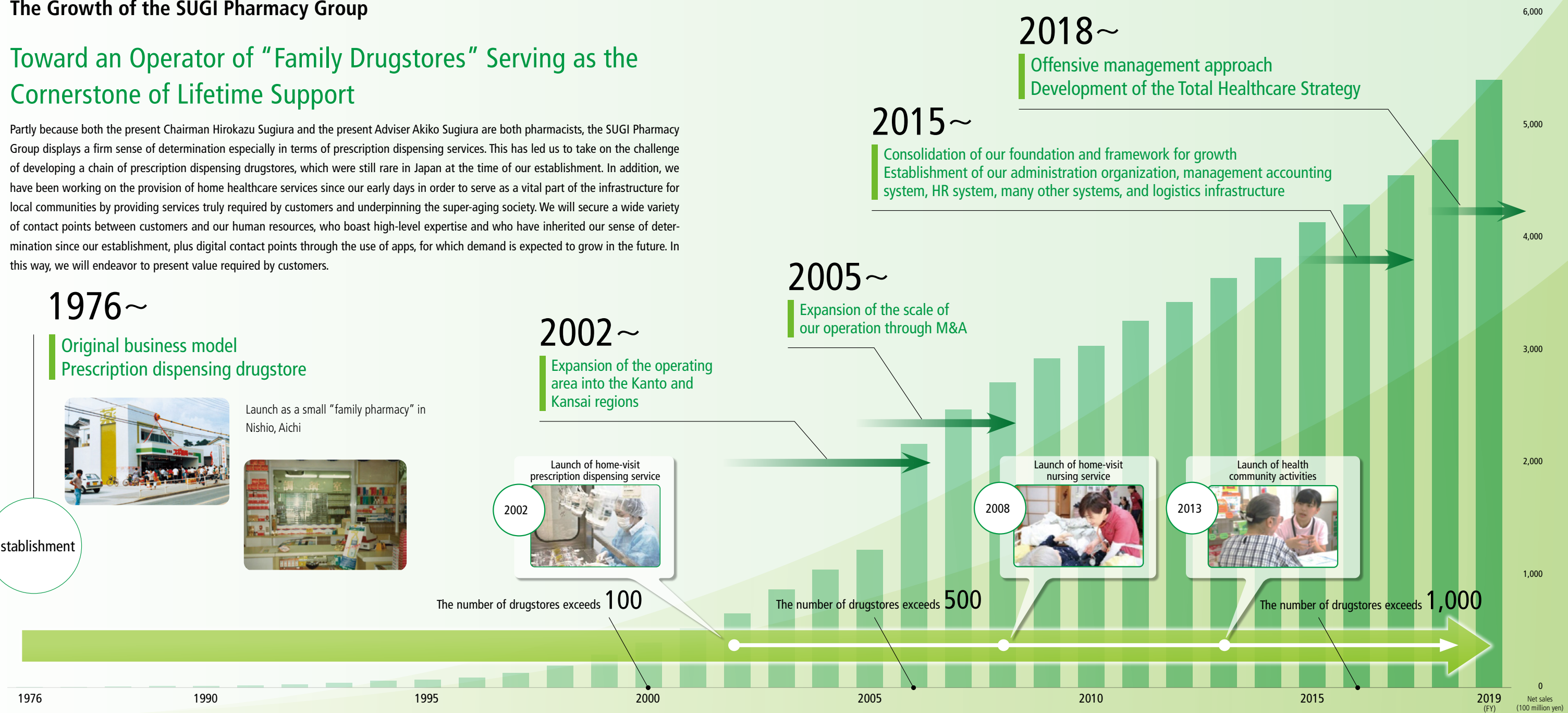
Expansion of the scale of our operation through M&A

2018~

Offensive management approach  
Development of the Total Healthcare Strategy

2015~

Consolidation of our foundation and framework for growth  
Establishment of our administration organization, management accounting system, HR system, many other systems, and logistics infrastructure



### Milestones of the SUGI Pharmacy Group

Operation development

2000~2010

- Expansion into the Kansai region (2002)
- Launch of home-visit prescription dispensing service (2002)
- Acquisition of 50.1% of the stock of Japan Co., Ltd., making the company a consolidated subsidiary (2005)
- Launch of drugstores featuring medical malls (2005)
- Expansion into the Kanto region (2006)

- Acquisition of full ownership of Japan Co., Ltd. (2007)
- Acquisition of full ownership of Izuka-yakuhin Co., Ltd. (2008)
- Establishment of SUGI Holdings Co., Ltd. (2008)
- Establishment of SUGI Medical Co., Ltd. and launch of home-visit nursing and elderly home-care support services (2008)

2011~2020

- Establishment of key stores serving as the hub of a community healthcare network, and launch of health community activities (2013)
- Launch of rental and sales of welfare products (2014)
- Completion of the Obu Center (our logistics center) (2016)
- Expansion into the Hokuriku region (2017)

- Conclusion of a capital and business alliance with the MedPeer Group (2018)
- Conclusion of a capital and business alliance with M-aid Inc. (2018)
- Establishment of MCS Co., Ltd. as a company that recruits and staffs medical workers (2018)
- Establishment of DCP Solution Co., Ltd. to provide support for doctors to open clinics (2018)

- Launch of specific health guidance (2019)
- Establishment of an "on-the-premises" pharmacy (Nagoya University Hospital Store) (2019)
- Conclusion of a capital and business alliance with Inagora Holdings Co., Ltd. (2020)
- Establishment of S Trading Co., Ltd. to supply products to foreign markets (2020)

Community healthcare  
Social contribution

2000~2010

- Establishment of a training center to foster pharmacists (2001)
- Establishment of stores featuring clean rooms to provide terminal care (2003)

- Establishment of the CSR Office and participation in the Pink Ribbon Campaign (2008)
- Establishment of SUGI Smile Co., Ltd. to promote disabled employment (2009)
- Launch of cosmetic therapy at facilities for senior citizens and hospitals (2009)

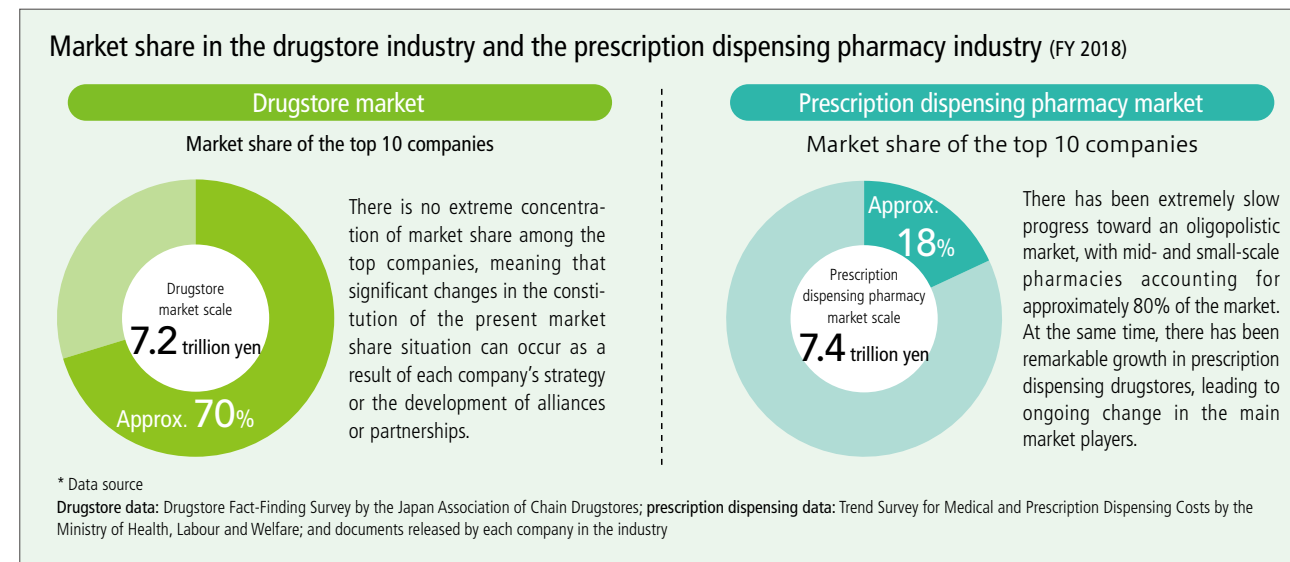
2011~2020

- Launch of donation of AEDs to facilities for senior citizens (2013)
- Launch of donation of medical wigs to breast cancer patients (2013)
- Launch of support for children with intractable diseases and their families (2014)
- Launch of a program of comprehensive partnership agreements with local governments (2017)

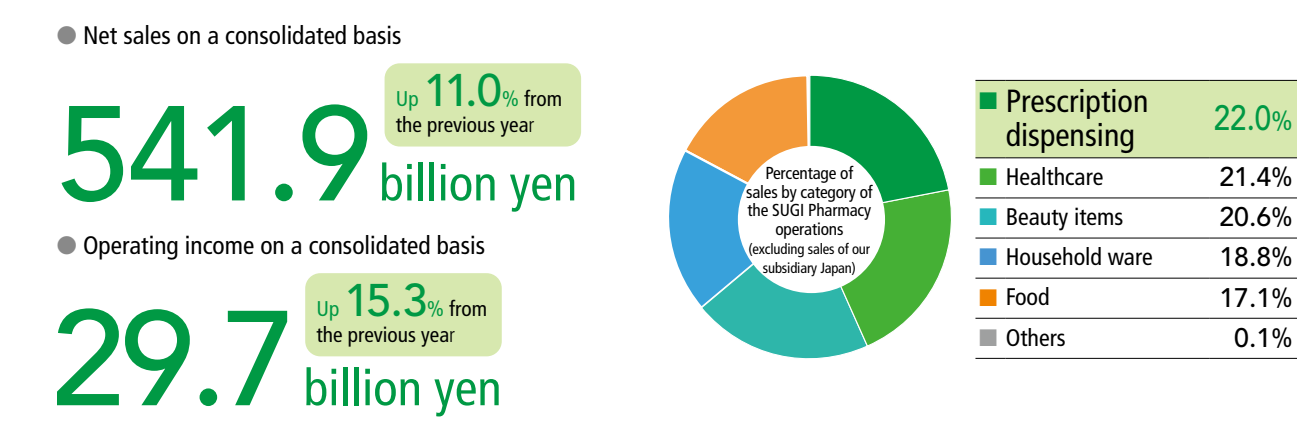
- Conclusion of a partnership contract with FC Kariya, a member of the top division of a nonprofessional soccer league sponsored by companies in the Tokai region (2018)
- Acquisition of Platinum Kurumin certification (2018)
- Launch of a demonstration test for a shared pick-up and drop-off service in Toyoake, Aichi (2018)
- Acquisition of certification as an outstanding enterprise in terms of health and productivity management (2020)

# SUGI Pharmacy Group Today

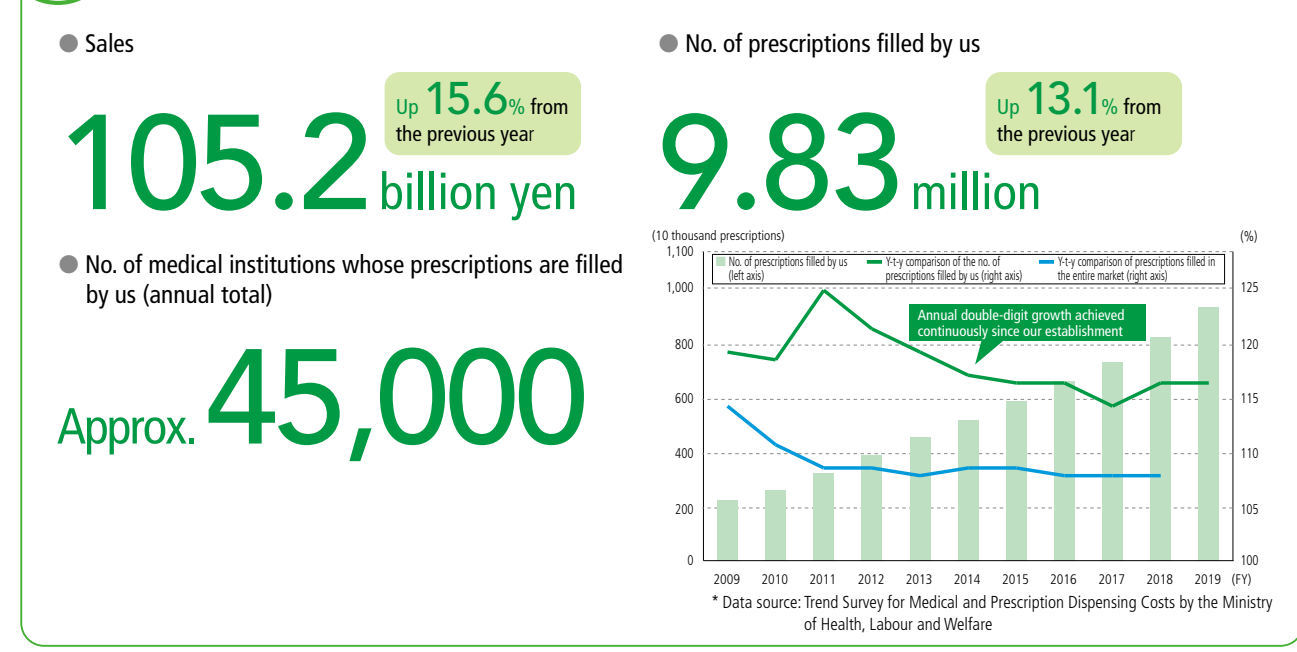
## Business Environment Surrounding the SUGI Pharmacy Group



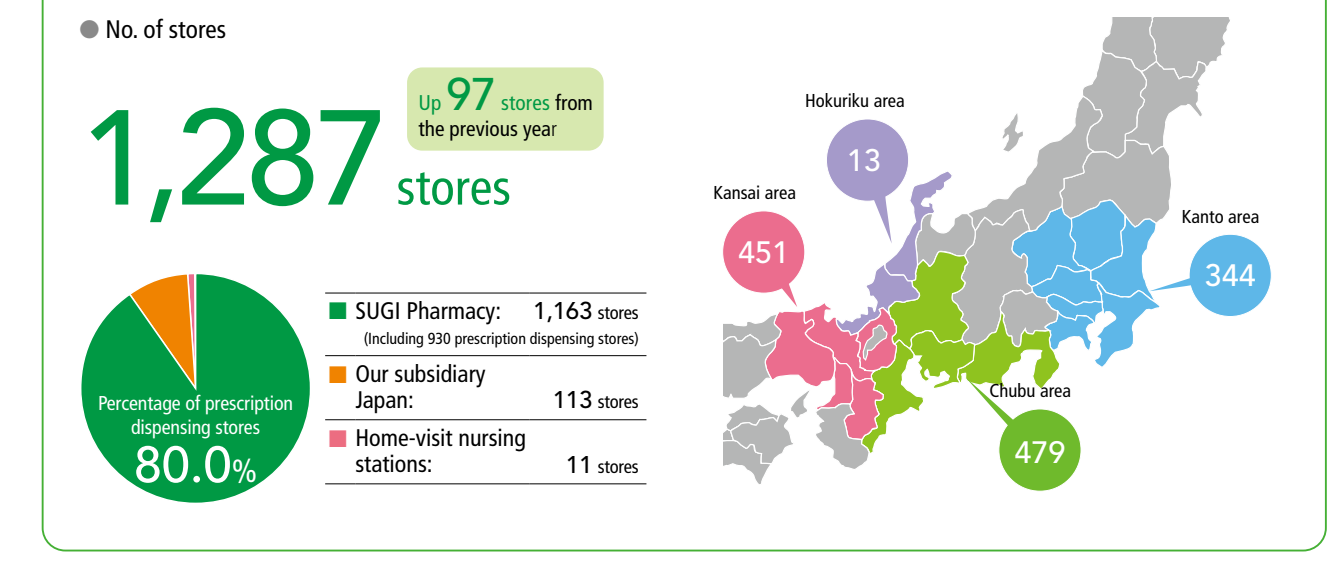
## Figures relating to the SUGI Pharmacy Group (FY 2019)



## Prescription Dispensing



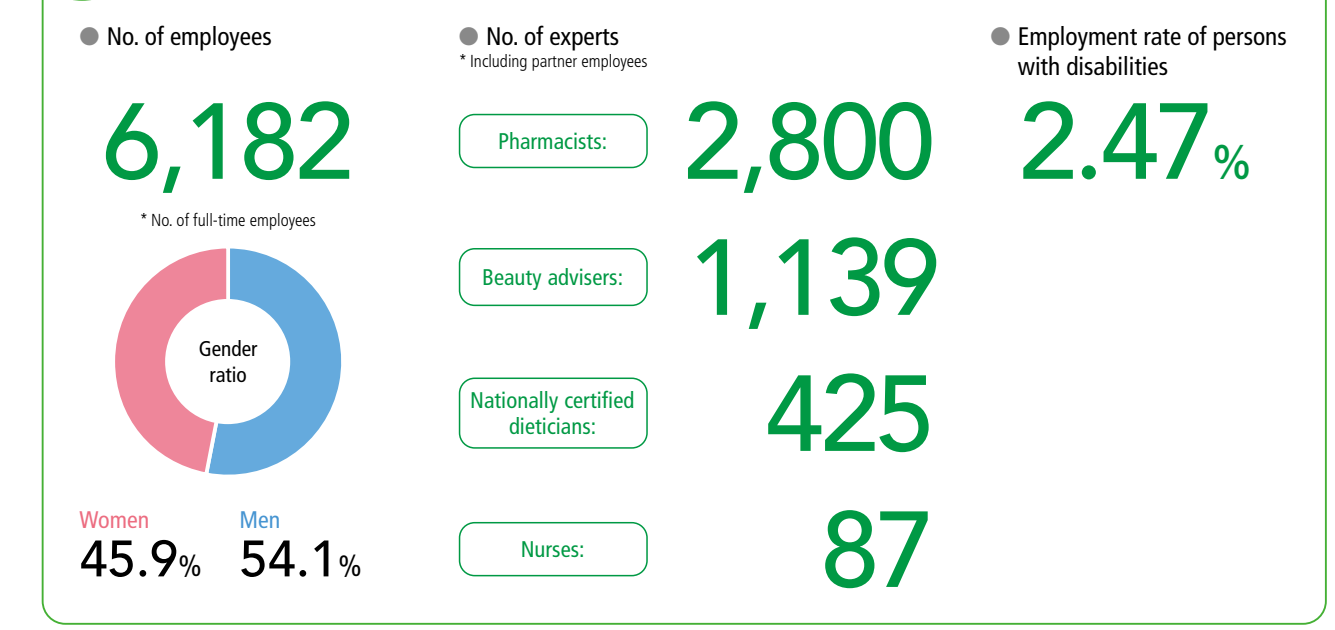
## Stores



## Customers



## Employees



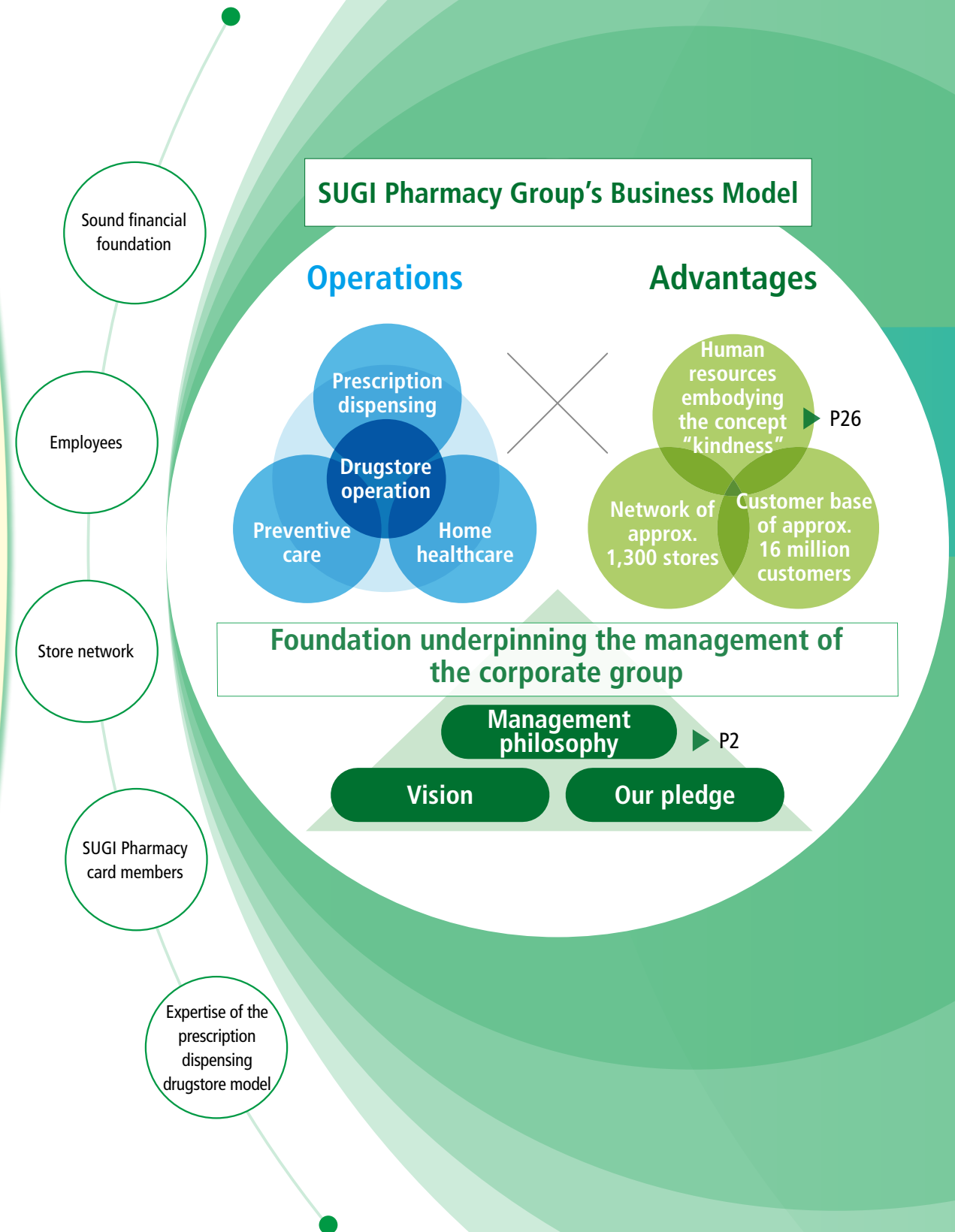


# Value Creation Process

## Closer and More Reliable to Local Residents So That They Can Seek Advice More Readily

We have presented value to society based on our corporate watchwords and our strategies for embodying them. We will continue to underpin local residents' rich lifestyles and healthy living and accommodate community healthcare needs, thereby contributing to society's sustainable development.

External environment  
 Aging population and lower birthrate  
 Increase in medical costs  
 Innovation of digital technology  
 Diversification of values



**Mid-Term Management Plan**  
▶ P16

**Sustainable Management**  
▶ P18

**Total Healthcare Strategy** ▶ P14

**Maximize Customers' Lifetime Value based on Lifetime Contact Points with Customers**

- Self-care
- Medical care and medication
- Elderly nursing support and daily life support

**Reinforcement of Corporate Governance**  
▶ P30

**Thorough Compliance Management and Risk Management**  
▶ P34

**Realize a society where everyone smiles and is happy**

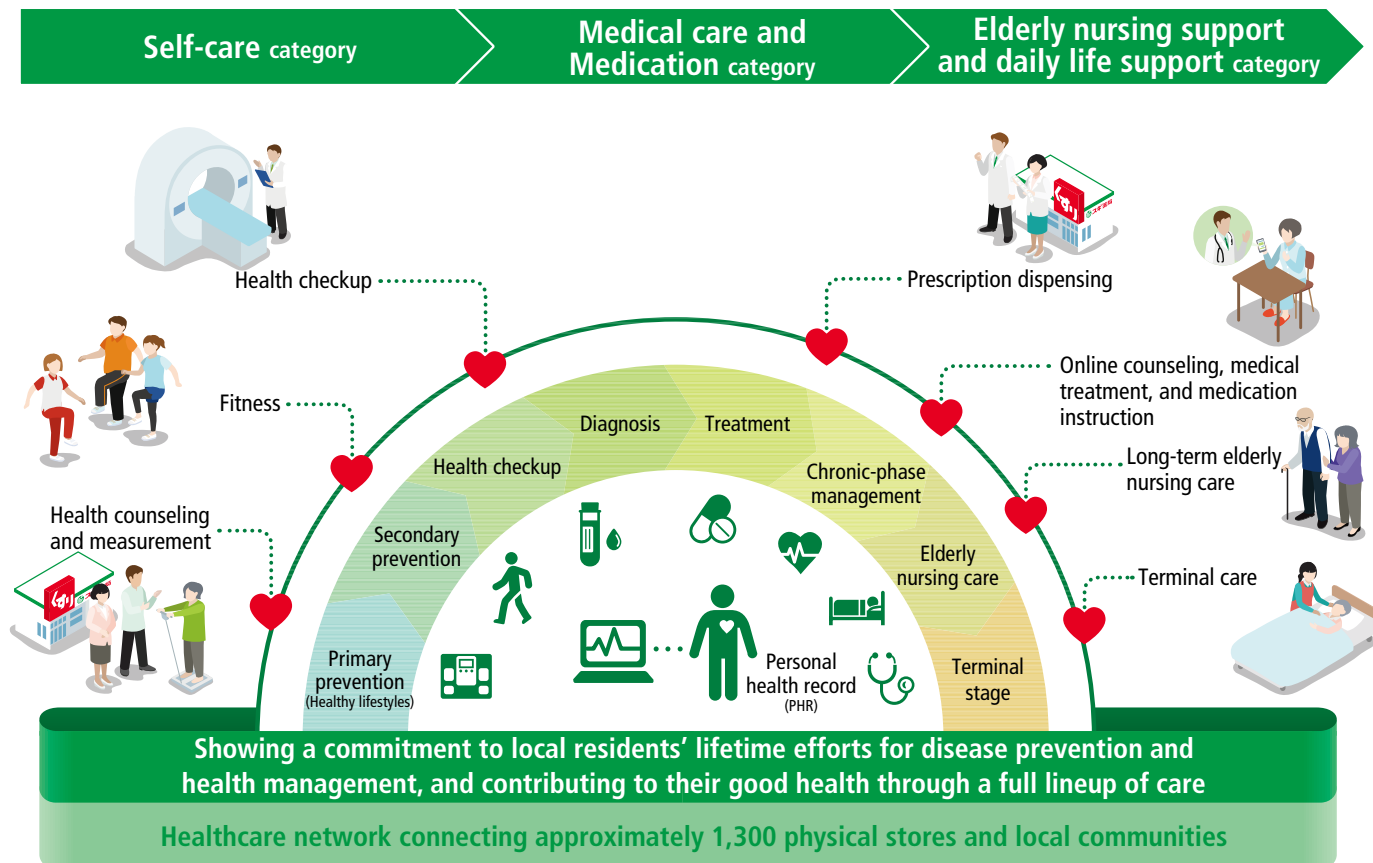
**SUSTAINABLE DEVELOPMENT GOALS**



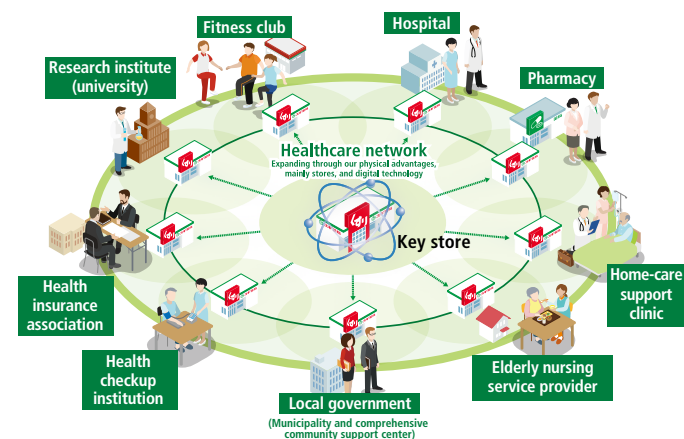


# Total Healthcare Strategy

At the SUGI Pharmacy Group, we are striving to develop a business model to underpin every health stage of our customers by proceeding with a wide variety of operations in the healthcare field based on the sales of drugstore items.



In the Total Healthcare Strategy, people's lives from their birth until the end are divided roughly into the three stages covered by the self-care category, the medical care and medication category, and the elderly nursing support and daily life support category. The strategy is intended to ensure contact points with customers, regardless of their health condition, and provide optimum products and services appropriate for the condition of customers in different stages by integrating our physical advantages with digital technology. To push forward with the strategy, we emphasize close ties and trust between local governments, companies and their health insurance associations, and medical and elderly nursing-care workers. By expanding our network even outside our corporate group, we are striving to become an operator of drugstores as an indispensable entity for local communities.



## Strategic Dominance of Setting Up New Branches around Key Stores

By proceeding with the development of solution-oriented "key stores," which underpin our strategic dominance, we place the emphasis of our store-opening strategy on the creation of hubs of healthcare networks evolving around our key stores.

\* Our key stores fulfill the enhanced function of health support expected to be provided by drugstores. The stores feature a self-service space for customers to take health measurements, while providing health counseling, health instruction and prescription dispensing services. They also feature a medical institution, lease and sell welfare products, and provide home healthcare. In addition, they also have a community space where events by nationally certified dietitians and pharmacists hold events on a regular basis.

## Efforts Made under the Total Healthcare Strategy

**SUGIsapo Walk**

Released in March 2019

**SUGIsapo Deli**

Released in November 2018

**SUGIsapo Walk/SUGIsapo Eats**      **B-to-C service**

Self-care support service designed to assist users to improve their daily lives in such aspects as walking and eating

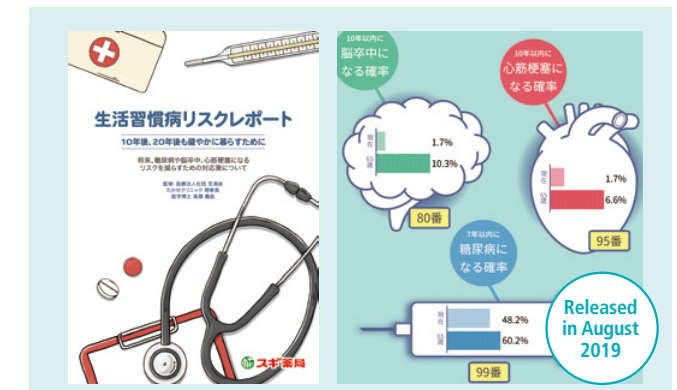
**SUGIsapo Deli**      **B-to-C service**

Meal delivery service under the supervision of nationally certified dietitians

Launched in August 2019

**Specific Health Guidance**      **B-to-C service**

Health guidance service provided by nationally certified dietitians at stores to encourage preventive and improvement behaviors against metabolic syndrome



**Lifestyle-related Disease Risk Report**      **B-to-B/B-to-C service**

Analysis of each individual's health checkup results with reference to the health checkup data of 1.5 million people  
Report service to encourage preventive behaviors against lifestyle-related diseases

Launched in July 2018

**Choi-soko**      **B-to-C service**

Joint program in collaboration with a local government and Aisin Seiki Co., Ltd. Mobility support service mainly for senior citizens to travel to and from local facilities

## Corporate Alliances to Proceed with the Total Healthcare Strategy

Capital and business alliance concluded in March 2018

**MedPeer Group**

Operation of an online doctor community site in which 120,000 doctors are registered, and development of an online medical business and preventive care business through the use of IT

Capital and business alliance concluded in March 2018

**M-aid**

Development of a health management support service for companies through a combination of an integrated management system of health checkup data, apps, and health measurement devices

# Mid-Term Management Plan 2022

— Toward Enhancing Our Corporate Value by Maximizing Customers' Lifetime Value —

We have been pushing forward with our growth strategies, such as the Total Healthcare Strategy, to expand our management foundation, including logistics centers, under the slogans of "Consolidation of our foundation and framework for growth" since FY 2015 and "Aggressive management approach" since FY 2018. Today, as these efforts are producing the desired results, we will accelerate the speed of our reforms to further enhance our corporate value, by reviewing the Mid-Term Management Plan 2020 a year ahead of the original schedule and proceeding with our operations based on a new three-year mid-term management plan from FY 2020.

## Overview of the Mid-Term Management Plan

FY2015–FY2017		FY2018–FY2019		FY2020–FY2022	
Consolidation of our foundation and framework for growth		Aggressive management approach		Enhancement of our corporate value by maximizing customers' lifetime value	
Growth strategy	1	Reinforcement of our sales power	<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>		
	2	Reinforcement of management with the focus on customers' LTV 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>		
	3	Expansion of cooperation and collaboration	<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	4	Promotion of DX in management 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>		
	5	Improvement of productivity	<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>		
	6	Reinforcement of human resources and organizations	<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>		
FY2022 Quantitative target		<ul style="list-style-type: none"> <li>Net Sales ¥710.0 billion, Operating profit ¥37.0 billion (Profit rate 5.2%)</li> </ul>			

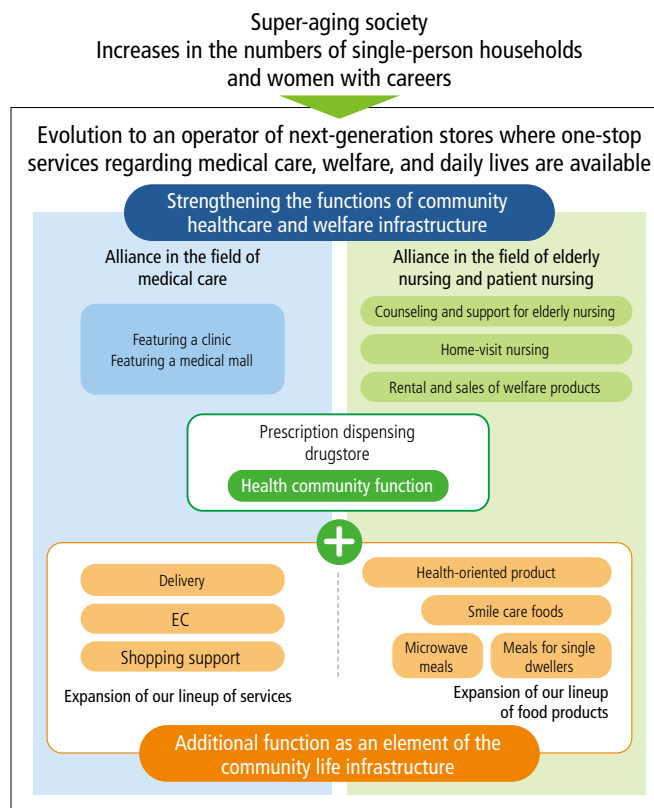
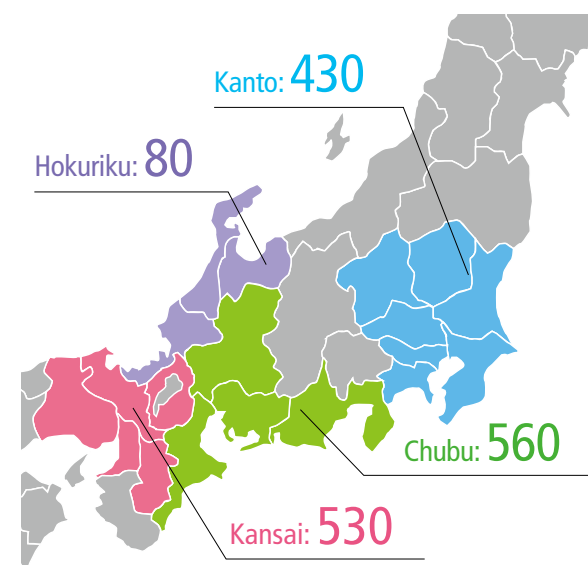
## Strategy for Opening New Stores

Holding a dominant share by opening stores on an aggressive note, and making our stores even more competitive

We intend to push forward with strategic dominance in the three large metropolitan areas in Japan of Kanto, Chubu, and Kansai, while accelerating our efforts to open stores in Hokuriku as a new growth area. Our plan is to establish 120 new stores in FY 2020, and then more than 100 stores per year.

Viewing a wide variety of future changes in the social environment as excellent opportunities for us, we will open competitive, next-generation stores that will be even closer to and more reliable for local residents.

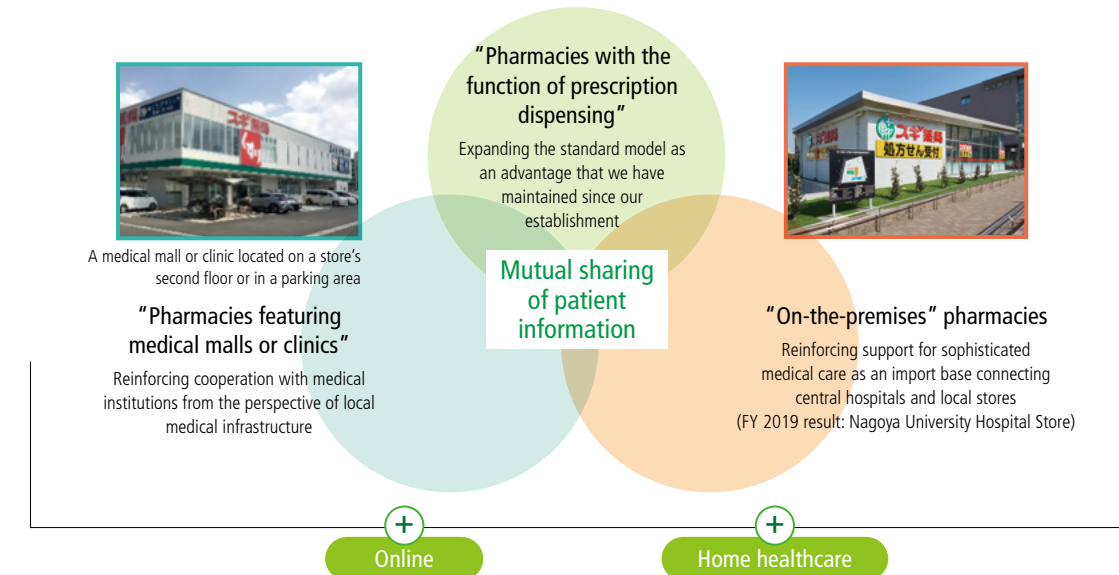
FY 2022 Target Number of Stores to Be Opened in Each Area



## Strategy for Dispensing Prescriptions

Establishing a prescription dispensing and medical care network by adopting three types of community healthcare stores

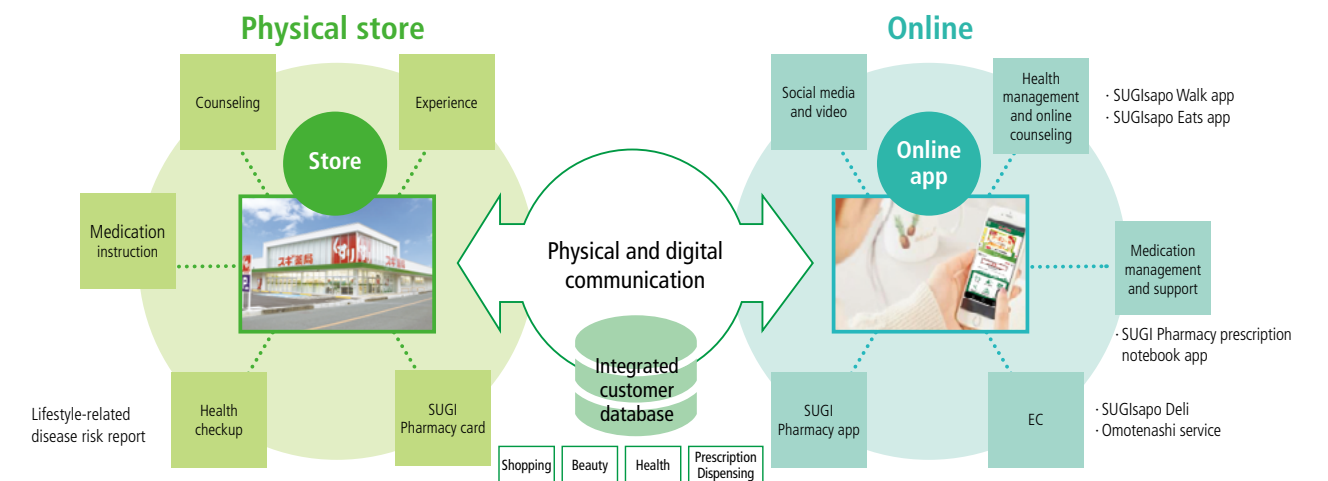
We will proceed with a combination of the three types of community healthcare stores: "pharmacies with the function of prescription dispensing," or the prescription dispensing drugstores that we have developed so far; "pharmacies featuring medical malls or clinics" to provide one-stop medical services from the viewpoint of the community medical infrastructure required in the age of the super-aging society; and "on-the-premises" pharmacies, designed to support increasingly sophisticated medical care. While achieving cooperation with local medical institutions, we will ensure that patient information is shared regardless of the type of pharmacies that the patients use, and establish a network of prescription dispensing and medical care to underpin local residents' safe and secure daily lives.



## Maximization of Customers' Lifetime Value

Creating customer experience through customer communication enhanced by integration of our physical and digital assets

We believe that the key lies in the concept of customers' lifetime value based on a lifetime relationship established between us and each customer by strengthening the contact points with them. From now on, we intend to provide a wide variety of products and services well-tuned to the needs of each customer in a timely manner both at physical stores and online, thereby striving to increase customer satisfaction and maximize our customers' lifetime value.



## Consolidating digital membership as the cornerstone for providing customer experience

An important index for customers' lifetime value is the number of app members.

We will ensure that SUGI Pharmacy apps serve not only as tools for sales promotion and dissemination of information, but also as the "gateway" to our digital contact points, thereby enabling us to provide even better services, including via the health support app SUGIsapo Walk.



SUGIsapo Walk has an entertainment aspect, enabling all generations, from young people to senior citizens, to enjoy walking, and it is expected to attract many more visitors to our stores.



# Sustainability & Priority Issues

## Proceeding with Sustainable Management

As a corporate group that focuses on local residents' daily lives, we believe that it is important to adapt to social changes, and live up to the demands and expectations of stakeholders. To do so, if we solve social problems and contribute to the formation of a sustainable society, and thereby realize our corporate group's management philosophy, we can achieve sustainable corporate growth. With this background, we have established the Sustainability Basic Policy, which is designed to focus on four issues regarding sustainable corporate activities and proceed with various efforts.

### <Sustainability Basic Policy>

The SUGI Pharmacy Group aims to contribute to the sustainable development of local communities through cooperation with stakeholders, in order to realize a vigorous society by seriously addressing a wide variety of environmental and social issues and increasing the number of healthy and energetic people through corporate activities.

### <Relationship between Our Priority Issues and the SDGs>



## Sustainability & Priority Issues 1

# Creation of Products and Services That Support Perpetual Healthy Living



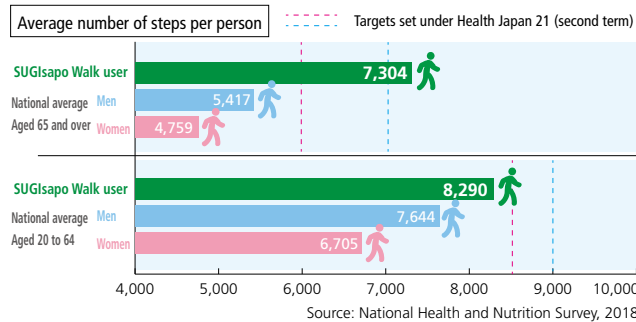
## Development and provision of services to enhance people's health and welfare through integration of physical and digital assets

### Providing support for each individual's health through SUGIsapo apps designed to encourage users to walk more frequently and assist them with healthy dietary habits

SUGIsapo apps, intended to support users' exercise, diet and self-care, are used not only by customers living in our operating areas, but also by many other smartphone users. We are striving to establish relationships with customers in order to encourage them to be more aware of their health and change their behaviors so that they can maintain their good health.

### SUGIsapo Walk

This is an incentive-type pedometer app that allows users to earn SUGIsapo Miles, which can be exchanged with SUGIsapo Points to be used at our stores. The daily active user (DAU) rate among those in their 60s and over is 55%, enabling the app to rank first among a number of pedometer apps. The average number of daily steps by users exceeds the targets set under Health Japan 21 (second term) for those aged 65 and over (men: 7,000 steps; women: 6,000 steps), showing that the app contributes to enhancing senior citizens' good health.



### SUGIsapo Deli

Supervised by nationally certified dietitians, the menu items of this app are popular not only among those who are on a restricted diet, but also those seeking to have an even healthier diet. Featuring a product lineup according to themes, all items are highly acclaimed in terms of price, quantity, and taste, leading to repeat purchases. A health counseling service is also available, further enhancing users' reliance on the app.



FY 2019 results

No. of sets sold: **70,007**      No. of users: **8,536**

### Providing facility-visit health checkup services and specific health guidance to ensure that many more dependents have health checkups at stores in their local communities

To increase the current low rate of dependents getting health checkups, we provide opportunities for them to have health checkups more easily at the stores where they usually go, and also receive specific health guidance from nationally certified dietitians. By doing so, we would like to contribute to increasing the health checkup rate to help dependents stay healthy and reduce their insurance premiums.

FY 2019 activities

	Japan Health Insurance Association	National Health Insurance Society
No. of facility-visit health checkups	11	4
No. of those who received facility-visit health checkups	689 (Health checkup and cancer screening)	194 (Cancer screening)
No. of those who received specific health guidance	1,224	

## Development and provision of value-added products to contribute to users' good health and high-quality lives

### Providing innovative products developed with unprecedented technology through industry-academia cooperation, and supporting users' daily lives

We will reinforce and revamp the product lineup of our private brand (PB), which consists of the categories of Royal, Middle, and Basic, with a particular focus on the development of high-quality and value-added products.

### Prieclat, the result of cutting-edge technology jointly developed with Kyushu University

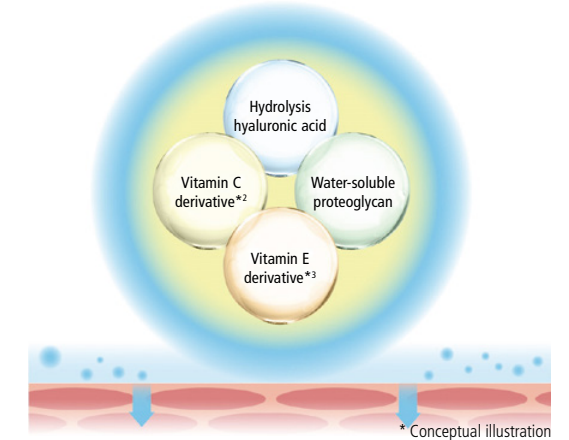
Based on percutaneous penetration technology researched by Kyushu University, with the aim of eliminating injections from the world, we have jointly developed the patent technology SNDP® to enable effective components of cosmetics to be delivered deep to the inside of the stratum corneum. This technology is recommended by Kyushu University as an excellent result of the Nano-technology Platform Japan Program of the Ministry of Education, Culture, Sports, Science and Technology.

SNDP® technology involves coating four types of moisturizing components for beautiful skin



#### SNDP® technology

The SNDP® technology for special lipophilic layer nanocoating with inner/outer double structure can deliver water-soluble/polymer components even to the corner of the stratum corneum by nano-dispersing oil/water-soluble material.



Four types of moisturizing components penetrate into the stratum corneum  
Featuring cutting-edge technology for enhancing the penetration of effective components, Prieclat contains four types of safe and biocompatible components as moisturizers for beautiful skin.

\*2: Phosphoric acid ascorbyl Mg \*3: Acetic tocopherol

We will enhance the lineup of the Prieclat series through a step-by-step launch of a spot removal cream and a drink for beautiful skin.

Popular products in the Royal category

#### Rakuraku 331

Containing yeast 331, this series helps users to walk smoothly in their daily lives.





## Sustainability & Priority Issues 2

# Development as a Regional Base That Supports the Safety and Security of All People



## Development of stores as the cornerstone of local residents' daily lives and local communities

### Shifting our focus from "merchandise" to "experience" and transforming ourselves into a local health station for sharing critical moments with local residents

We are establishing many more stores featuring a community space with health measurement equipment. While ensuring that the customer experience of making health measurements at our stores leads to the development of the habit of having a health checkup every time they visit the store, we would like to provide opportunities for local residents to gather and converse with one another by holding health counseling sessions. We are thus proceeding with the creation of a foundation for local residents' good health and daily lives.



	No. of participants	No. of counseling sessions held
FY 2019	56,893	3,230

## Expansion of our service lineup and infrastructure in the age of the super-aging society

### Providing home-visit prescription dispensing services and home-visit nursing services as a framework underpinning a comprehensive community care system

To help local residents maintain their own lifestyles in familiar surroundings, we provide highly-acclaimed, high-quality support services, ranging from daily conversations with patients to high-level medication management, through cooperation involving a wide variety of medical experts, such as doctors, pharmacists, and nurses. With an increase in the number of users of our home-visit prescription dispensing services and home-visit nursing services, we will continue to focus on these services to contribute to community healthcare.



	No. of service stores	Monthly no. of users
Home-visit prescription dispensing	487	10,740 (Annual total no. of users: 128,880)
Home-visit nursing	11	961 (Annual total no. of users: 11,532)

(As of the end of February 2020)



### Providing the Omotenashi service, a life-support delivery service to help senior citizens and sick people who find it difficult to go shopping

We have launched this delivery service in response to the demand from patients receiving medical treatment at home or nursing facilities and from their families wishing to receive not only medication but also daily-life products. By handling a wide variety of daily essentials from sanitary supplies and products to food, we will continue to contribute to an even better quality of life of those who cannot visit our stores.

### Addressing the inconvenience of local transportation through Choi-soko, a mobility support service

Choi-soko is a joint project with Aisin Seiki Co., Ltd. to provide a shared pick-up and drop-off service as a form of daily support for citizens who find it difficult to go to shopping facilities and medical institutions. Simply by making a reservation on the phone, the service users are transferred to registered facilities, such as administrative agencies, medical institutions and some of our facilities, at the desired time. This easy-to-use service leads senior citizens to go out more frequently, which contributes to their good health.

### Choi-soko was selected as one of the Good Design Best 100 and also given a special award

In the FY 2019 Good Design Awards by the Japan Institute of Design Promotion, we were granted the Good Focus Award (New Business Design). The award is granted to entities in recognition of their creation of a new business model or new industry, or in recognition of an excellent design expected to contribute to the promotion of innovation.



We have an area system in which each area is covered by 10 local stores to provide even better services with greater focus on their communities, by considering how to enhance customer satisfaction. The key store in each area plays the pivotal role, in cooperation with administrative agencies, in organizing walking events and promoting other efforts to enhance residents' good health and beauty.

## Contribution to the enhancement of community safety and security

### Concluding comprehensive partnership agreements with local governments as the starting point of community communication

We are reinforcing sustainable efforts toward solving community problems through mutual cooperation based on comprehensive partnerships between local governments and SUGI Pharmacy. Our particular focus is on community development to promote the wellness of local residents by using the assets of our stores and experts. We organize a wide variety of events that are accessible to local residents and enable participants to enhance their good health.

Comprehensive partnership agreements with 13 municipalities; non-health-insurance-covered service agreements with 2 municipalities; disaster damage reduction agreements with 27 municipalities and 2 organizations; and watching-over agreements with 9 municipalities (as of the end of February 2020)  
No. of events held in FY 2019: 239



### Organizing a health festa as an opportunity for interaction among local residents

We organize a wide variety of events in various parts of Japan, ranging from measurements of body composition and bone density to health counseling, parenting counseling, skin checking, make-up experience and pharmacist career experience, as fun opportunities to consider health. We ensure that these events enhance participants' awareness of their health and enable us to earn many more customers.



### Supporting walking events for citizens

We support walking events organized by a local government and a railway company. While discovering new attractions within their communities while walking, participants in the events are expected to drop in on our stores registered as check points, where they can receive product samples and take health measurements. By providing these opportunities, we would like to contribute to the good health of local residents while also making promotional efforts.

### Organizing food education events

We organize sandwich cooking workshops for children and their parents, with nationally certified dieticians serving as instructors. We also propose recipes that are good for lowering vascular ages. By doing so, we strive to support the good health of all family members from children to senior citizens. In addition, we hold food education events not only at our stores but also at Michi-no-eki (roadside rest areas), extending the scale of the educational program in order to accommodate local needs.



### Cooperating with Obu City in its health program

Organized by Obu City, Aichi Prefecture, using Karada Karte® of Tanita Health Link Inc., to increase citizens' interest in their health, this program is joined by approximately 800 participants with activity trackers. Our stores located in the city have installed reader-writer devices to send data from the activity trackers. The participants visit the stores to upload their tracker data, and receive advice on exercise and diet from nationally certified dieticians there. By ensuring this process, the program intends to improve the retention rate and increase the amount of physical activity by participants.



## Sustainability & Priority Issues 2

# Development as a Regional Base That Supports the Safety and Security of All People



## Contribution to the enhancement of community safety and security

### Donating and installing AEDs to save many more people

#### ■ Donating AEDs to facilities for senior citizens

In light of the lower installation rate of AEDs among facilities for senior citizens, we began to donate AEDs to facilities for senior citizens in FY 2013. In FY 2019, we donated AEDs to 20 facilities for senior citizens in the cities of Nisshin and Nagakute, Aichi Prefecture, making the total number of facilities to which we have donated AEDs so far to 147 in 13 cities. After donating an AED, we always visit the facilities and hold training sessions so that staff there can learn about how to use the equipment correctly.

Annual number of AED donations

FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
20 units	22 units	20 units	27 units	17 units	21 units	20 units

#### ■ Installing AEDs at many more of our stores

Although we have installed AEDs mainly at key stores in response to requests from the local community, we are presently proceeding with installation of the equipment at stores located in communities with many senior residents, stores visited by many customers, and stores situated in communities with which we have concluded comprehensive agreements. By doing so, we are striving to reinforce our function as a health station where medical care is available.



### Promoting sports

We have a partnership contract with the local soccer club FC Kariya, so that both of us can attract many more supporters by organizing soccer training sessions for children and competitions and conducting health checkups for spectators. In addition, we provide employment support so that the team's players can work at our stores, enabling them to play an active role not only on the soccer field but also at our stores.



### Providing support for children with intractable diseases and their families

In FY 2014, we began to invite children with intractable diseases and all their family members to an amusement theme park. Inviting 16 families annually, employees from our corporate group accompany them every time to help them enjoy the experience. Up to FY 2019, we have invited a total of 100 families, with the total number of employees joining this program reaching 556.



### Promoting the Dementia Friend initiative to understand dementia correctly

We ensure that all stores of our corporate group have Dementia Friends to provide appropriate services based on their accurate knowledge and understanding of dementia. Such staff members have participated in a training program for Dementia Friends, enabling those with dementia and their families to visit the stores without worry.

No. of Dementia Friends: 9,469 (as of February 2020)



### Donating first-aid kits to local children

We donate our original-design first-aid kits, consisting of adhesive and non-adhesive bandages, gauze, clinical thermometers, and other items, mainly to the local governments with which we have concluded comprehensive agreements. We have so far donated a total of 880 sets to 10 cities, which distribute them to nursery schools, kindergartens, children's sports clubs and other facilities and groups for children.

### Donating life-support materials to the Okazaki Medical Center of Fujita Health University

We donated life-support materials to the Okazaki Medical Center of Fujita Health University, which accepted those who had tested positive for COVID-19 but displayed no symptoms and those who had had close contact with them. We provided approximately 100 kinds of items, including sanitary goods, such as disinfectant spray and disinfectant wipes, and beverages and paper products. We did so to support those staying at the center for follow-up observation and medical experts involved in infection control.



### Promoting the Pink Ribbon Campaign

We display posters with the message "For Your Safety and for Your Family's Safety" to encourage breast cancer patients to stay positive and not to be anxious or worry about the disease all by themselves. We also distribute breast cancer inspection handbooks through our stores to encourage self-inspection for the purpose of early detection. In addition, to contribute to enhancing the quality of life of patients worrying about the loss of their hair as a side effect of chemotherapy, since FY 2013, we have annually donated medical wigs to 100 breast cancer patients. Up to FY 2019, we have donated medical wigs to approximately 700 patients.

### Offering cosmetic therapy to provide comfort and relaxation

Beauty advisers from our corporate group provide those staying at hospitals or nursing facilities for a long time with make-up services to ensure "emotional communication" with them through skin contact and conversation. This cosmetic therapy makes not only the therapy receivers but also their families and other people taking care of them feel cheerful and positive. From the launch in FY 2009 to FY 2019, we have offered the therapy to a total of 3,404 people at 201 facilities.





## Sustainability & Priority Issues 3

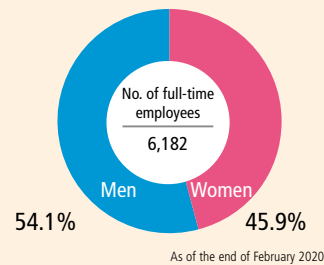
# Provision of a Workplace Environment Where Employees Can Work Comfortably and Play Active Roles

### Realization of diversity in working styles

We are reinforcing our support for our human resources to continue their careers by, for example, introducing a local employment system, a working-hour option system and a teleworking system, and by providing information for employees on leaves of absence. These efforts enable our employees to work depending on their life stages, such as parenting and elderly nursing, without restrictions regarding time and place. In addition, we have many foreign employees, creating a working environment where both Japanese and foreigners can fully demonstrate their capabilities together.

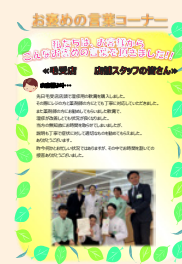
For experts, such as pharmacists, beauty advisers and nationally certified dieticians, we provide an environment where female staff members can work for a long period of time even after having a baby, leading to a high ratio of women at our stores. Moreover, we encourage our employees to take leave and reduce their working hours so that they can take care of their elderly parents. We are improving in-house systems so that our employees can take care of their own lives and families with pride.

No. of male employees: 3,342  
No. of female employees: 2,840



### Commending employees based on evaluations from both inside and outside the corporate group

We hold an award ceremony at the end of every year to commend excellent employees in recognition of their achievement of favorable results through fulfillment of the management philosophy. The awards are divided into Individual Awards (for managers and for non-managers) and Group Awards. In addition to the award ceremony, if a store receives comments of appreciation from customers on a daily basis and is highly praised by them, the store's employees are also commended. In FY 2019, we granted the awards to more than 1,000 employees, including 100 winners of Individual Awards and staff members of 51 stores receiving Group Awards.



### Reinforcing HR development and facilitating the progress of employees through our career system

We are strengthening our efforts to foster a wide range of human resources, such as those working at our stores, those demonstrating their capabilities outside our corporate group, and those expected to serve in management in the future. We develop promising human resources by the establishment of a training system for fostering store managers and experts with high-level communication skills, introduction of a self-application system, rotating task assignments cross-sectionally, providing opportunities for training at outside organizations, and sending employees to partner companies to foster human resources who will underpin business development in new fields expected to grow in the future.

### Providing support for employees according to their life stages

With consideration given to the aging society with lower birthrates, we have introduced an HR system that enables employees to select their own working style depending on their life stage, such as parenting and elderly nursing, without restrictions on time and place. By establishing our own original standards, which exceed the statutory standards, we provide support for our employees to strike the best balance without worry between their careers and parenting/elderly nursing.

#### Our parenting-support systems exceeding the statutory standards

System	Description
Special leave for spousal childbirth	Two-day special leave (No statutory standards)
Parenting time	Until the child turns three years old (Statutory standard: less than one year old)
Working-hour reduction for parenting	Until the child completes his/her elementary school program (Statutory standard: less than three years old)
Leave for child nursing	Seven days. For two or more children, 14 days of leave is available. (Statutory standard: five days and 10 days, respectively) Until the child begins junior high school (Statutory standard: until the child begins elementary school)
Fixed working conditions for parenting	Working hours are fixed; days-off are fixed on Saturdays, Sundays and national holidays; it is also ensured that one-way commuting time is less than 60 minutes (No statutory standards)
Carry-over of annual leave	Annual leave, which is available only within a designated period, can be carried over. (No statutory standards)

Even in the age of digital innovation, we are confident that our excellent human resource development systems will enable us to remain competitive. As indicated by our management philosophy, which highlights the "happiness of each employee," we have a long-established corporate culture in which our priority on employees is anchored. To make this perpetual, we provide each employee with an environment and opportunities so that he/she can fully demonstrate his/her capabilities, while supporting diversity in working styles that suit each individuals' life stages.



### Employment support for senior citizens and the disabled

To contribute to further expansion of the employment of senior citizens, we ensure that flexible working styles are available so that senior citizens can play an active role in society.

We also provide an environment and opportunities for the disabled to become independent by setting a wage for each disabled worker depending on his/her capabilities and assigning him/her appropriate tasks. By expanding the area where the disabled are employed as store staff from Chubu to Kanto, Kansai and Hokuriku, we will establish a corporate culture where staff can work together whether they have disabilities or not.

#### Providing optional, flexible workstyles

##### ■ Post-retirement re-employment system

Our post-retirement re-employment system allows employees to work until the age of 65. Those with certificates as, for example, pharmacists, and with experience as managers, foster the younger generation by using their skills and capabilities cultivated through their long-term careers. Meanwhile, those with the experience of working at stores continue to serve customers with kindness and sincerity.



##### ■ Silver Associates System (Senior Iki-iki Club)

Under this system, we conclude business contracts with those aged 65 and over so that they can work at their own pace in the time slots they select, meaning that they can decide their working days and hours as they like. We launched this unprecedented system in FY 2017. By providing contact points between society and senior citizens with spare time to work, we would like to contribute to enhancing their physical and mental health and extending their healthy lifespans.

No. of those registered (FY 2019)	985
Average age of those registered	70 (Maximum age: 84)

#### SUGI Smile's efforts

Nine in-house job coaches and 28 career counselors provide 316 employees with disabilities with operational guidance and daily support. At our headquarters, these employees sort mail, do cleaning, and ship products to support logistics, while at stores, they do cleaning and arrange products onto shelves.

	FY 2017	FY 2018	FY 2019
No. of disabled	261	288	316
Percentage of disabled of all employees	2.36%	2.41%	2.47%



#### Certified as a Platinum Kurumin company

We are the first in the drugstore industry to be certified as a Platinum Kurumin business operator. The certification is granted to general employers that conform to the designated standards regarding parenting support. The percentage of our female workers who continue to work for a year or longer after taking parenting leave has reached 96%, much higher than the 90% required for Platinum Kurumin certification. In FY 2019, 455 employees (women: 444; and men: 11) took parenting leave, with the percentage of those returning to work after their leave reaching 94%.

## Sustainability & Priority Issues 3

### Provision of a Workplace Environment Where Employees Can Work Comfortably and Play Active Roles



#### Enhancement of employees' health

The first thing we need to do as a corporate group in proceeding with the Total Healthcare Strategy is to enhance the health of our employees, who are the most directly involved stakeholders. Accordingly, we are striving to achieve a smoking rate of 0%, a health checkup rate of 100%, a specific health guidance rate of 100%, and a breast and womb cancer screening rate of 100%.



#### FY 2022 health enhancement targets

Toward achieving our FY 2022 health enhancement targets, we have set FY 2020 targets for reducing the entire corporate group's smoking rate to 13% and increasing the specific health guidance rate to 100%. Moreover, in light of our high ratio of female employees, we are striving this year to increase the breast cancer screening rate and the womb cancer screening rate to 85% and 70%, respectively.

	FY 2017	FY 2018	FY 2019	FY 2020 (target)	FY 2022 (target)
Health checkup rate	92.7%	99.7%	98.6%	100%	100%
Breast cancer screening rate	77.5%	77.6%	78.9%	85.0%	100%
Womb cancer screening rat	57.6%	58.4%	60.0%	70.0%	100%
Specific health guidance rate	7.9%	88.4%	*	100%	100%
Smoking rate	17.9%	17.0%	14.9%	13.2%	0%

\* Due to the spread of COVID-19, supervision that would have been provided in FY 2019 is scheduled to be given by around August 2020.

#### Health and productivity management declaration based on the management philosophy

Our corporate group is responsible for maintaining and enhancing the health of our employees and all other citizens. By reinforcing our health and productivity management system, we make a pledge to proceed with the creation of a sound workplace environment where each employee tries to maintain and enhance his/her health on a voluntary basis.



#### Certified as a 2020 outstanding enterprise in terms of health and productivity management

Our corporate group was certified as a 2020 outstanding enterprise (in the large-enterprise division) in terms of health and productivity management. We were selected as such jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, in recognition of our strategic efforts concerning health and productivity management, based on the stance of viewing the enhancement of employees' health as a management issue.

#### Efforts regarding mental health

In March 2007, we established the Mental Health Promotion Office for employees and launched various activities for the first time in the drugstore industry. Today, we have also established Mental Health 110 as a counseling service to handle mental health problems in general, thereby addressing various issues.

##### ■ Stress inspection

For the prevention and early detection of mental health problems, we conduct an annual stress inspection. The inspection is available through each employee's smartphone so that they can easily identify their stress level.

##### ■ Mental Health 110

We have a system enabling employees to seek counseling from outside corporate counselors via e-mail or by phone so that they can receive counseling without worry at any time without any contact with the corporate group.

## Sustainability & Priority Issues 4

### Efficient and Environmentally Friendly Use of Products and Resources by Eliminating Overdo, Waste and Unevenness

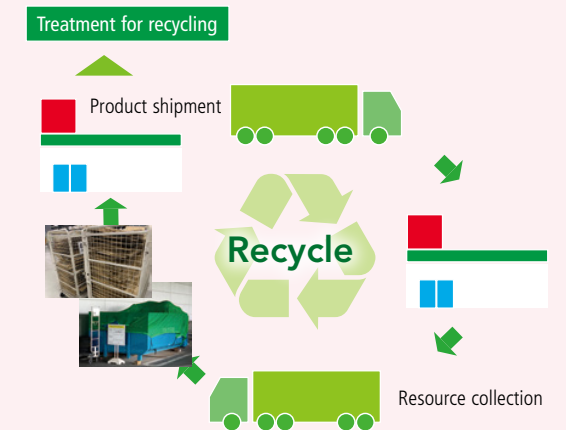


#### A wide variety of efforts at our stores and headquarters

We are taking environmental measures through the efforts of reduction, reuse, and recycling (of waste) at our stores, headquarters and logistics centers.

##### Efficient use of resources

We have established environmental stations at all our logistic centers to collect unnecessary resources from our stores, sort them into the designated categories, and hand them over to recycling plants and operators. While promoting this recycling process, we also ensure that our stores collect medical and pharmaceutical products whose expiry dates are imminent and use them to, for example, train pharmacists.



##### Environmental efforts at our stores and headquarters

##### ■ Reduction in power consumption

At our stores, headquarters and offices, we strive to reduce power consumption mainly through careful temperature control, air-conditioner cleaning on a regular basis, and changing lighting-up hours. In addition, we have been introducing LEDs for lighting both inside and outside our stores over the past few years, with our schedule for the replacement of conventional lighting with LEDs both inside and outside all our stores to be completed in FY 2020.

##### ■ Reuse of store equipment

We ensure that freezers and other appliances of closed stores are reused in new stores and renovated stores and are kept for replacement of damaged items.

##### ■ Reduction of plastic use

We are striving to reduce plastic use by replacing our existing plastic bags with bags made from thin but hard-to-tear materials and by changing bag sizes at appropriate timing. To prepare for the launch of the national system making the checkout bag fee mandatory from July 2020, we are now pushing forward with a shift toward plastic bags containing biomass materials.

##### ■ Creation of a paperless environment

At our corporate group, we are trying to go paperless in a wide variety of operations to become even more environmentally-friendly and improve our operating efficiency. Specifically, we are proceeding with digitization for placing orders with business partners and requesting payment. In addition, we are also introducing online services for membership registration and prize exchange, and also proceeding with digitization for issuing payment slips to employees.

##### No. and weight of used checkout bags

	FY 2018	FY 2019
No. of used bags (unit: 1 million bags)	270	262
No. of used bags (unit: ton)	2,400	2,000





# Corporate Governance



## Corporate Governance System

### Basic views on corporate governance

By putting our management philosophy into practice and contributing to local communities extensively, we would like to establish good relationships with shareholders, customers, patients, business partners, local communities, employees and other stakeholders, and realize our growth and development as a corporate group that can draw support from them.

To do so, we believe that excellent corporate governance is an essential part of our foundation. To ensure legal compliance, make appropriate and prompt decisions, execute operations efficiently, and reinforce the auditing and supervision functions, we have a corporate governance system and take the necessary measures based on the following basic policy.

#### Basic Policy

- (1) Respect the rights of shareholders while securing their equal treatment;
- (2) Collaborate in an appropriate manner with stakeholders, taking into consideration the interests of stakeholders, including shareholders, customers, patients, business partners, local communities and employees;
- (3) Secure transparency by appropriately disclosing corporate information; and
- (4) Promote constructive dialogue with shareholders.

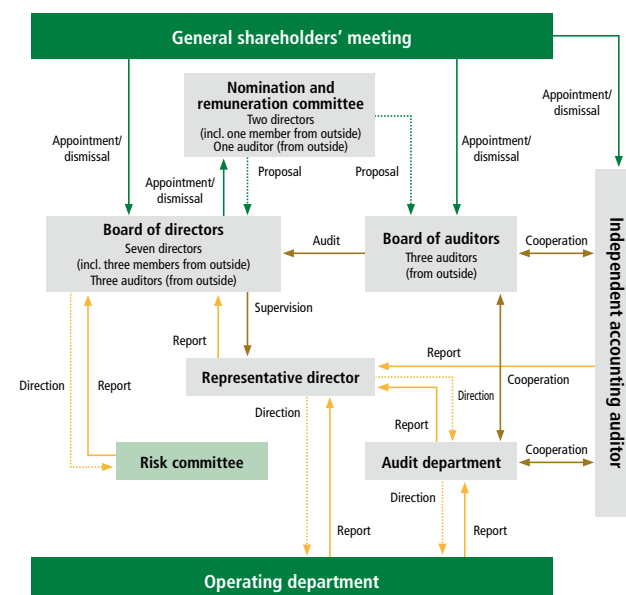
### Corporate governance system

We are a corporate group with auditors. Our board of directors, consisting of seven directors (including three outside directors), makes all necessary decisions in a timely manner. The execution of operations is in accordance with the Regulations concerning Segregation of Duties and the Internal Rules on Administrative Authorities regulations. The board of directors receives reports at appropriate timing, and also reviews these regulations as needed.

Our auditors attend the board of directors' meetings and other important meetings. They also conduct audits of the execution of operations conducted by directors by means of inspecting important documents, including minutes of various meetings and documents for final approval, and report the results to the board of auditors.

For the execution of management decisions and operations of our subsidiaries, directors and senior managers of our corporate group are selected as board members of the subsidiaries, in a bid to ensure appropriate corporate governance within the entire corporate group.

### Corporate governance system



## Board of Directors

The board of directors, consisting of seven directors (including three outside directors), holds a regular meeting, in principle, on a monthly basis, and ad-hoc meetings, if necessary, to make necessary decisions in a timely manner. The execution of operations is in accordance with the Regulations concerning Segregation of Duties and the Internal Rules on Administrative Authorities regulations. The board of directors receives reports at appropriate timing, and also reviews these regulations, as needed.

Chairperson of the board of directors	Representative Director & Chairman
No. of board members	7
No. of board members from outside	3
No. of outside directors appointed as independent directors	3

Name	Position	Appointment reason
Hirokazu Sugiura	Representative Director & Chairman	We have judged that his strong leadership, decision-making capability, track record in business management, and extensive business knowledge are indispensable for further development and expansion of our corporate group, and thus continued to appoint him.
Eiichi Sakakibara	Representative Director & President	We have judged that his profound insights and extensive experience in the drugstore industry and his leadership for improvement of sustainable corporate value will significantly contribute to further development and expansion of our corporate group, and thus continued to appoint him.
Katsunori Sugiura	Representative Director & Senior Vice President	He aggressively implements various measures to realize the Total Healthcare Strategy with the aim of expanding business domains in this age of the super-aging society. We have judged that he will significantly contribute to further development and expansion of our corporate group, and thus continued to appoint him.
Shinya Sugiura	Director	As Managing Director of Sugi Pharmacy Co., Ltd., he supervises the sales division, proactively hires medical office workers and improves training and education programs with the aim of increasing productivity in the prescription dispensing business. We have judged that his extensive knowledge and experience will significantly contribute to future development of the medical care business, the future core business of our corporate group, and thus appointed him.
Shigeyuki Kamino	Director (from outside)	He has made proactive remarks and recommendations during deliberations of the board of directors' meetings. We have judged that his appropriate supervision and advice based on his profound insights and capabilities in terms of supervision of corporate management will greatly contribute to the improvement of corporate value of our corporate group, and thus appointed him.
Yoshiko Hayama	Director (from outside)	She has abundant experience and professional knowledge developed by serving as a certified public accountant and external director of listed companies. Due to her high levels of expertise in terms of business management and appropriate supervision and advice from the viewpoint of an independent officer, we have continued to appoint her.
Michiko Hori	Director (from outside)	She is involved in the corporate management of another company that provides medical information, while serving as a director at various institutions. We have judged that her profound medical insights, expertise and supervisory capability will significantly contribute to the improvement of corporate value of our corporate group, and thus appointed her.

### Board of auditors

For a periodic audit conducted by the independent accounting auditor, our auditors and the Audit Department hold meetings with the independent accounting auditor to prepare the audit plan, report the results, and exchange opinions and information. For the audit of each department by the Audit Department, our auditors have meetings with the Audit Department to discuss the audit plan, report the results, and exchange opinions and information.

We have appointed Deloitte Touche Tohmatsu LLC as our independent accounting auditor.

Board of auditors	Established
No. of auditors	3
No. of outside auditors	3
No. of outside auditors appointed as independent directors	3

### Nomination and remuneration committee

Our nomination and remuneration committee consists of three members: two directors (including one outside director) and one auditor (from outside). For directors, decisions regarding their appointment and dismissal, the amounts of their remuneration, and the calculation methods are made at board of directors' meetings. Meanwhile, those for auditors are made at board of auditors' meetings. Both types of decisions are in line with the deliberations of the nomination and remuneration committee.

Chairperson	Shigeyuki Kamino (outside director)
Member	Hirokazu Sugiura (Representative Director & Chairman) Kana Yasuda (outside auditor)

# Corporate Governance

## Major Activities

### Major activities by our outside directors in FY 2019

(from March 2019 to February 2020)

Name	Category	Description
Shigeyuki Kamino	Director	He made remarks regarding the execution of operations in general by taking advantage of his experience as a representative director of a company in the logistics industry and a director of an industrial society.
Yoshiko Hayama	Director	She made necessary remarks in a timely manner from a professional viewpoint in the field of accounting based on her experience and insight mainly as a certified public accountant.
Hiroshi Matsumura	Director	Of the seven board of directors' meetings held between the beginning of this fiscal year and November 11, 2019, when he passed away and was deemed to have resigned, he attended five meetings. He made necessary remarks in a timely manner based on his experience as a representative director of another company in the field of medical care and nursing industry and from a professional perspective.
Toshihiko Sakamoto	Full-time auditor	He made remarks regarding the execution of operations in general based on his experience as a representative director of another company.
Shigeo Asano	Auditor	He made remarks regarding the execution of operations in general based on his experience as a representative director and an auditor of other companies.
Kana Yasuda	Auditor	She made necessary remarks in a timely manner from a professional perspective in the field of accounting and taxation based on her insight by taking advantage of her experience mainly as a certified public accountant and a licensed tax accountant.

### No. of board of directors' meetings (a total of 13 meetings) attended by our directors and auditors

From March 2019 to February 2020

Hirokazu Sugiura	Eiichi Sakakibara	Katsunori Sugiura	Shinya Sugiura	Shigeyuki Kamino	Yoshiko Hayama	Hiroshi Matsumura*	Toshihiko Sakamoto	Shigeo Asano	Kana Yasuda
13 meetings	13 meetings	13 meetings	13 meetings	13 meetings	13 meetings	5 meetings	13 meetings	13 meetings	13 meetings

\* Assumed the position in May 2019 (and passed away in November 2019)

Although we are a corporate group with auditors, our corporate governance incorporates a number of elements as a corporate group with a nomination committee, as indicated mainly by the fact that we have three outside directors and three outside auditors, have set the term of office of directors as a single year, and have established a nomination and remuneration committee at our own discretion. We understand that entities with auditors, entities with a nominating committee and entities with an auditing committee all have their respective advantages, but we judge that being an entity with auditors is appropriate for us at present.

Shigeo Asano resigned in May 2020 with the expiration of his one-year term of office as an outside auditor, and Makoto Kamiya has been appointed as a new outside director.

### No. of board of auditors' meetings (a total of 14 meetings) attended by our auditors

From March 2019 to February 2020

Toshihiko Sakamoto	Shigeo Asano	Kana Yasuda
14 meetings	14 meetings	14 meetings

## IR Activities

### IR activity and information disclosure policy

We believe that constructive dialogue with shareholders and investors will lead us to increase our corporate value on a sustainable basis. Striving to gain trust and empathy, we will continue to improve our efforts for highly fair and transparent information disclosure and dialogue, and thereby promote shareholders and investors' understanding of our management activities.

Our management and administration departments are in charge of general dialogue with shareholders and investors. Our representative directors also attend face-to-face meetings, with consideration given to requests from shareholders and investors and their dialogue topics.

### Means of information disclosure

For important information covered by the Timely Disclosure Regulations, we make disclosures through the Timely Disclosure Network (TDnet), operated by the Tokyo Stock Exchange. At the same time, we also release the information through our website and other means as promptly as possible. For information that is not covered by the regulations but is deemed useful for shareholders and investors to deepen their understanding of our corporate group, we will try to disseminate it through our website and other means. To ensure fairness of information disclosure, we will release English versions of timely-disclosure information and financial results briefing information to the extent possible.

Moreover, we organize semiannual financial results briefings and other meetings and answer daily inquiries from shareholders and investors, with the aim of enhancing the quality of our communication.

### Quiet period

To prevent leakage of financial results information and ensuring the fairness of information disclosure, we designate the period from the following day of the end of each fiscal year to the announcement date of the financial results as a "quiet period," during which we refrain from presenting any comments on the financial results and answering questions regarding them.

### Dialogue with shareholders and investors (FY 2019)

Financial results briefings for institutional investors and analysts (first-half and full-year meetings)	2 briefings
Small meetings on our financial results for institutional investors and analysts	14 meetings
Conference organized by a securities company	1 conference
Individual meetings for institutional investors (face-to-face/phone)	125 meetings

## BCP (in Case of Disasters and Other Emergencies)

To prepare for contingencies that might gravely affect our corporate group, such as large-scale disasters and pandemics, we have prepared a disaster manual and established a business contingency plan (BCP). In addition, we conduct a disaster drill and biannual drills through our safety confirmation system among all employees at the headquarters, offices, and stores.

### FY 2019 Major Efforts

- 1 Identified risk factors of large-scale disasters based on the lessons learned through past disasters, had our stores checked by authorized first-class architects, and conducted seismic reinforcement as needed
- 2 Revised our store operation manual to prepare for earthquakes, storms, and flooding, distributed the revised version to our stores, and conducted training programs and drills
- 3 Distributed the Compliance and Disaster Countermeasure Pocket Book to all our employees, to be carried by them
- 4 Established a taskforce against COVID-19, took measures against the virus at our stores, headquarters, and offices (by formulating regulations regarding cleaning, disinfection, ventilation, etc.), and decided how to respond to possible infections in our corporate group



Compliance and Disaster Countermeasure Pocket Book

### Cooperation with local governments in case of disasters

We are proceeding with the conclusion of agreements with local governments to ensure necessary materials and support provisions in case of disasters. As of February 2020, we have concluded disaster agreements with 27 municipalities and 2 organizations.



## Corporate Governance

### Legal Compliance

We strive to be trusted and respected by employees, customers, shareholders, business partners and local residents not only by, needless to say, ensuring legal compliance, but also by following social norms and acting and judging based on high ethical standards. To realize our management philosophy, we will continue to ensure full legal compliance.

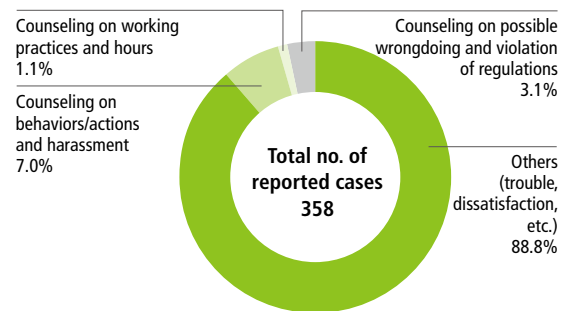
#### Inner reporting system

For early detection and correction of violation of compliance codes, such as in-house regulations and laws, we have established Compliance 110, our corporate group's compliance counseling system, enabling employees to seek counseling anonymously.

To increase the profile and understanding of the above-mentioned system, we have ensured that contact information for the system is displayed at our stores and offices, and have also distributed the Compliance and Disaster Countermeasure Pocket Book. By doing so, we are striving to establish a sound reporting system.

#### Reported cases of compliance issues (FY 2019):

358 cases



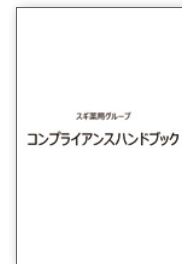
#### Legal compliance programs

At our corporate group, we organize legal compliance programs every year for all employees in order to enhance their knowledge and awareness of legal compliance.

These are group programs categorized into the following: one for all employees centered on case studies using a video made in-house; one for employees fresh from school and mid-career employees to take when they join our corporate group; and one for newly-appointed store directors and office managers to take depending on their position. In FY 2019, the program for all employees was themed based on Information Security and Wrongdoing. While reviewing the content in light of changes in risk factors, we are continuing the programs so that they will lead us to improve our operations.

#### Compliance handbook

To ensure full legal compliance, we have distributed the Compliance and Disaster Countermeasure Pocket Book, which contains individual, specific case studies to present action guidelines to follow in the course of daily operations. The directors and employees of our corporate group are required to act according to the handbook. If they feel any doubt from the perspective of legal compliance when conducting their daily operations, they are required to respond in accordance with the handbook.



### Information Security Basic Policy

One of the tenets of our management philosophy is contributing to local communities. Our employees always strive to be trusted by both customers and business partners by serving customers with kindness and responding to business partners with honesty.

To protect information regarding customers and business partners and live up to their trust is a social responsibility placed on our corporate group as a corporate citizen.

We have an information security basic policy, based on which we properly and safely treat our information assets and strive to ensure our business continuity.

- 1 Treat our information assets properly;
- 2 Clarify who is responsible for the management of important information assets, and ensure that the management of the information assets is effective;
- 3 Provide employees with training programs regarding information assets on a regular basis, demand that they act in accordance with this basic policy and related regulations, and ensure that they clearly take responsibility in case of violation;
- 4 Ensure compliance with laws and regulations regarding the treatment of information assets; and
- 5 Conduct assessments on the environment surrounding information assets and inspections on the treatment of information assets on a regular basis, and thereby strive to improve the management of information assets.

#### Take-out and loss of data

Reinforcing the prohibition on the connection of in-house PCs to external equipment

#### Misdirection of e-mail

· Establishing an investigation system in case of information leakage  
· Ensuring evidence for follow-up

#### Unauthorized access from outside

· Installing a firewall  
· Preventing virus mail from being received

· We have security rooms and security cameras at the headquarters and each office.  
· We strive to increase our in-house security by distributing security cards to employees and granting them the necessary authority depending on their roles. In addition, we focus on training employees, as needed, for example by calling attention to the inadvisability of posting improper messages on social media.

### Risk Management

Our corporate group has a risk committee to correctly identify a wide variety of risk factors that are expanding and diversifying in step with the growth of our corporate scale and to take measures in advance, thereby averting possible crises.

#### Risk committee

Our risk committee consists of the Representative Director & President, directors, a full-time auditor, and a director from one of our subsidiaries (Sugi Pharmacy Co., Ltd.). The committee has at least one meeting every six months on a regular basis, plus ad-hoc meetings as needed, in order to discuss issues regarding corporate group-wide risk management and decide measures to address them. In FY 2019, the committee held a total of 21 meetings.

Chairperson	Eiichi Sakakibara (Representative Director & President)
Members	Katsunori Sugiura (Representative Director & Senior Vice President), Shinya Sugiura (Director), Toshihiko Sakamoto (Full-time Auditor), and a director from one of our subsidiaries (Sugi Pharmacy Co., Ltd.)
Secretariat office	Legal Affairs Department of SUGI Holdings and General Affairs Department of SUGI Pharmacy

#### Risk factors to be managed

Category	Examples of the major risk factors to our corporate group
Business strategy risk factors	Response to changes in the market and competitive environment, inappropriate/improper information disclosure (IR/PR)
Operation risk factors	Mistakes in prescription dispensing, product quality management (defective PB products), violation of the Act against Unjustifiable Premiums and Misleading Representations and the Subcontract Act, excessive inventory, impact of climate change, disasters, etc., and epidemics of new-type infectious diseases
Administration system risk factors	Wrongdoing by directors and senior managers, management of group companies, information management (leakage of personal/classified information), cyber-terrorism, information attacks through inappropriate use of social media and other means, violation of the Labor Standards Law, harassment, violation of laws and regulations, and insider deals

\* We have appointed directors as managers of the risk factors in the respective categories in the list above.

## Data Section

### Consolidated Balance Sheet

	(Unit: 1 million yen)	
	Previous consolidated fiscal year (Feb. 28, 2019)	Present consolidated fiscal year (Feb. 29, 2020)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	65,311	81,347
Accounts receivable	19,797	28,211
Securities	13,000	10,000
Inventory	59,674	63,668
Others	11,580	13,669
Allowance for doubtful accounts	(15)	(13)
Total current assets	169,348	196,883
Fixed assets		
Tangible fixed assets		
Buildings and structures	76,544	88,705
Accumulated depreciation	(32,816)	(36,711)
Buildings and structures (net)	43,728	51,994
Land	7,248	7,858
Construction in progress	2,359	4,822
Others	27,013	31,346
Accumulated depreciation	(18,648)	(21,745)
Others (net)	8,365	9,601
Total tangible fixed assets	61,702	74,276
Intangible fixed assets	2,998	3,542
Investments and others		
Investment securities	1,247	3,342
Long-term loans receivable	4	4
Deferred tax assets	7,267	8,603
Guarantee deposits	19,829	22,861
Others	3,119	4,265
Allowance for doubtful accounts	(36)	(23)
Total investments and others	31,431	39,054
Total fixed assets	96,132	116,874
<b>Total assets</b>	265,481	313,757

	(Unit: 1 million yen)	
	Previous consolidated fiscal year (Feb. 28, 2019)	Present consolidated fiscal year (Feb. 29, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable — trade	58,241	82,479
Income taxes payable	4,223	5,220
Provision for bonuses	1,339	1,955
Others	21,606	26,123
Total current liabilities	85,410	115,779
Fixed liabilities		
Retirement benefit liability	5,692	6,379
Asset retirement obligations	4,960	5,517
Others	2,854	3,330
Total fixed liabilities	13,507	15,228
Total liabilities	98,918	131,007
<b>Net assets</b>		
Shareholders' equity		
Capital stock	15,434	15,434
Capital surplus	24,632	24,632
Retained earnings	135,661	151,807
Treasury stock	(9,296)	(9,297)
Total shareholders' equity	166,431	182,577
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	251	317
Remeasurements of defined benefit plans	(119)	(144)
Total accumulated other comprehensive income	131	172
Total net assets	166,563	182,750
<b>Total liabilities and net assets</b>	265,481	313,757



## Data Section

### Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

#### Consolidated Statement of Income

	(Unit: 1 million yen)	
	Previous consolidated fiscal year (From Mar. 1, 2018 to Feb. 28, 2019)	Present consolidated fiscal year (From Mar. 1, 2018 to Feb. 29, 2019)
<b>Net sales</b>	488,464	541,964
<b>Cost of sales</b>	346,164	379,782
<b>Gross profit</b>	142,300	162,182
<b>Selling, general and administrative expenses</b>		
Salaries, allowances and bonuses	48,949	54,708
Provision for bonuses	1,324	1,934
Retirement benefit expenses	1,151	1,131
Rent expenses	21,872	25,926
Others	43,185	48,718
Total selling, general and administrative expenses	116,483	132,420
<b>Operating income</b>	25,817	29,762
<b>Non-operating income</b>		
Interest income	101	93
Dividend income	95	6
Gain on donation of non-current assets	523	595
Rental income	1,568	1,660
Commission income	363	566
Others	398	381
Total non-operating income	3,050	3,304
<b>Non-operating expenses</b>		
Commission income	25	22
Rental costs	1,061	1,142
Loss on retirement of non-current assets	213	249
Others	329	178
Total non-operating expenses	1,630	1,592
<b>Ordinary income</b>	27,237	31,473
<b>Extraordinary losses</b>		
Impairment loss	1,184	1,546
Total extraordinary losses	1,184	1,546
<b>Profit before income taxes</b>	26,053	29,926
<b>Income taxes — current</b>	8,789	10,496
<b>Income taxes — deferred</b>	(675)	(1,352)
<b>Total income taxes</b>	8,113	9,144
<b>Net income</b>	17,940	20,782
<b>Profit attributable to owners of parent</b>	17,940	20,782

#### Consolidated Statement of Comprehensive Income

	(Unit: 1 million yen)	
	Previous consolidated fiscal year (From Mar. 1, 2018 to Feb. 28, 2019)	Present consolidated fiscal year (From Mar. 1, 2018 to Feb. 29, 2019)
<b>Profit</b>	17,940	20,782
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	137	66
Remeasurements of defined benefit plans	69	(25)
Total other comprehensive income	207	41
<b>Comprehensive income</b>	18,147	20,823
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	18,147	20,823

### Consolidated Statement of Cash Flows

	(Unit: 1 million yen)	
	Previous consolidated fiscal year (From Mar. 1, 2018 to Feb. 28, 2019)	Present consolidated fiscal year (From Mar. 1, 2018 to Feb. 29, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	26,053	29,926
Depreciation	7,389	8,412
Impairment loss	1,184	1,546
Increase (decrease) in reserve for price fluctuation	(32)	610
Increase (decrease) in retirement benefit liability	653	646
Increase (decrease) in allowance for doubtful accounts	(7)	(14)
Interest and dividend income	(197)	(100)
Gain on donation of non-current assets	(271)	(397)
Interest expenses	25	22
Loss on retirement of non-current assets	11	45
Decrease (increase) in trade receivables	(2,539)	(8,391)
Decrease (increase) in inventories	(7,074)	(4,099)
Increase (decrease) in trade payables	7,087	24,225
Others	(197)	2,417
Sub-total	32,085	54,851
Interest and dividends received	161	29
Interest paid	(25)	(18)
Income taxes paid	(9,326)	(9,508)
Net cash provided by (used in) operating activities	22,894	45,353
<b>Cash flows from investing activities</b>		
Payments into time deposits	(72,000)	(62,000)
Proceeds from withdrawal of time deposits	71,000	66,000
Purchase of securities	(51,000)	(37,000)
Proceeds from redemption of securities	52,000	42,000
Purchase of property, plant and equipment	(17,141)	(19,389)
Purchase of intangible assets	(937)	(998)
Purchase of investment securities	(359)	(2,011)
Purchase of shares of subsidiaries and associates	(461)	—
Collection of loans receivable	3	1
Payments of guarantee deposits	(3,364)	(4,659)
Proceeds from refund of guarantee deposits	126	488
Others	(227)	(853)
Cash flows from investing activities	(22,362)	(18,422)
<b>Cash flow from financial activities</b>		
Purchase of treasury shares	(9,248)	(0)
Repayments of finance lease obligations	(268)	(244)
Dividends paid	(4,379)	(4,634)
Others	(0)	(15)
Cash flow from financial activities	(13,897)	(4,895)
<b>Net increase (decrease) in cash and cash equivalents</b>	(13,365)	22,035
<b>Cash and cash equivalents at beginning of period</b>	47,676	34,311
<b>Cash and cash equivalents at end of period</b>	34,311	56,347

## Data Section

### Major Financial and Non-financial Indexes for the Past Five Years

FY ended in February	(Unit: 1 million yen)				
	2016	2017	2018	2019	2020
Net sales	414,885	430,795	457,047	488,464	541,964
Operating income	23,112	22,832	24,760	25,817	29,762
Ordinary income	23,810	23,875	25,900	27,237	31,473
Profit attributable to owners of parent	14,605	14,947	16,411	17,940	20,783
Equipment investment*1	10,258	11,888	11,653	18,079	20,387
Depreciation	5,267	5,599	6,436	7,389	8,412
Cash flows from operating activities	13,248	16,912	27,564	22,894	45,353
Cash flows from investing activities	(9,043)	(18,439)	(17,911)	(22,362)	(18,422)
Cash flows from financial activities	(2,505)	(3,506)	(3,401)	(13,897)	(4,895)
Cash and cash equivalents	46,458	41,425	47,676	34,311	56,347
<b>End of consolidated fiscal year</b>					
Net assets	136,782	148,782	162,046	166,563	182,750
Total assets	217,936	230,664	253,989	265,481	313,757
<b>Information per share:</b>					
Net income (unit: yen)	230.67	236.08	259.21	287.74	336.21
Net asset (unit: yen)	2,160.36	2,349.90	2,559.40	2,694.59	2,956.46
Dividend (unit: yen)	45.00	50.00	60.00	70.00	80.00
<b>Management indexes:</b>					
Equity ratio (unit: %)	62.8	64.5	63.8	62.7	58.2
Return on equity (ROE) (unit: %)	11.2	10.5	10.6	10.9	11.9
Return on total assets (ROA) (unit: %)	11.1	10.6	10.7	10.5	10.9
Payout ratio (unit: %)	19.5	21.2	23.1	24.3	23.8
<b>Annual sales growth rate:</b>					
All stores — entire corporate group (unit: %)	+8.3	+3.8	+6.0	+6.9	+11.0
All stores — SUGI Pharmacy operations (unit: %)*2	+9.4	+5.8	+8.3	+9.9	+13.8
Existing stores — entire corporate group (unit: %)	+5.7	+0.6	+2.3	+2.2	+5.1
Existing stores — SUGI Pharmacy operations (unit: %)*2	+6.3	+1.1	+2.7	+2.6	+5.9
<b>Prescription dispensing information:</b>					
Sales from prescription dispensing	69,667	75,484	84,108	91,074	105,279
No. of prescriptions filled by us (unit: sheet)	6,181,431	6,982,700	7,704,463	8,698,045	9,833,178
Prescription cost (unit: yen)	11,270	10,810	10,917	10,471	10,707
<b>Non-financial indexes:</b>					
No. of stores (store)	996	1,048	1,105	1,190	1,287
No. of new stores (store)	70	75	80	102	116
No. of M&A transactions (store)	0	0	0	0	1
Year-end sales area (SUGI Pharmacy) (unit: m <sup>2</sup> )	480,282	517,103	578,304	641,253	703,391
Year-end sales area (Japan) (unit: m <sup>2</sup> )	107,304	107,397	89,538	81,064	77,912
No. of full-time employees (unit: person)	4,474	4,927	5,263	5,494	6,182
No. of partner employees (converted into the number of 8-hour workers) (unit: person)	6,700	7,722	7,973	8,758	10,282
No. of SUGI Pharmacy card members (unit: 10 thousand persons)	—	—	—	1,515	1,645
No. of SUGI Pharmacy app downloads (unit: 10 thousand downloads)*3	—	—	—	178	350
No. of SUGIsapo app downloads (unit: 10 thousand downloads)*4	—	—	—	—	61

\*1: "Equipment investment" contains expenses system investment and store renovation expenses.

\*2: "SUGI Pharmacy operations" presents only the number of stores of SUGI Pharmacy.

\*3: This is the number since the revamp of the app (in October 2018).

\*4: This is the total number of downloads of the Walk app and the Eats app.

## Corporate Profile and Stock Information

(as of February 29, 2020)

### Corporate Profile

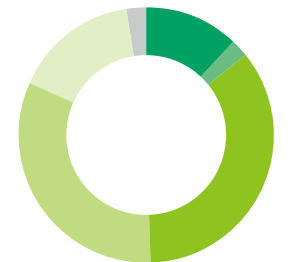
Trade name:	SUGI Holdings Co., Ltd.
Established:	March 8, 1982
Capital:	15,434,588,000
No. of employees:	6,182 (on a consolidated basis)
Major operations:	Control and management of companies operating in such fields as prescription dispensing, drugstores, and home-visit nursing stations
Headquarters:	62-1 Shin'e, Yokone-machi, Obu-shi, Aichi, 474-0011
Main store:	1-8-4 Mikawa Anjo-cho, Anjo-shi, Aichi, 446-0056
No. of stores:	1,287 (in the entire corporate group) • SUGI Pharmacy: 1,163 • Japan: 113 • SUGI home-visit nursing stations: 11
Directors (as of May 20, 2020)	<b>Representative Director &amp; Chairman:</b> Hirokazu Sugiura <b>Representative Director &amp; President:</b> Eiichi Sakakibara <b>Representative Director &amp; Senior Vice President:</b> Katsunori Sugiura <b>Director:</b> Shinya Sugiura <b>Outside director:</b> Shigeyuki Kamino <b>Outside director:</b> Yoshiko Hayama <b>Outside director:</b> Michiko Hori <b>Outside full-time auditor:</b> Toshihiko Sakamoto <b>Outside auditor:</b> Kana Yasuda <b>Outside auditor:</b> Makoto Kamiya

### Stock Information

Total number of shares authorized to be issued by the Company:	200,000,000
Total number of issued shares:	63,330,838
No. of shareholders:	30,212

#### Share distribution according to shareholders

Financial institutions:	12.10%
Financial instrument business operators:	2.24%
Other domestic corporations:	35.19%
Foreigners:	32.20%
Individuals and others:	15.87%
Treasury shares:	2.40%



#### Major shareholders (top 10)

Name	Number of shares held (unit: thousand)	Ratio of shareholding (unit: %)
Sugi Shoji Co., Ltd.	20,605	33.33
The Master Trust Bank of Japan, Ltd. (trust account)	2,357	3.81
Katsunori Sugiura	1,892	3.06
Shinya Sugiura	1,892	3.06
THE BANK OF NEW YORK MELLON 140051	1,346	2.17
THE BANK OF NEW YORK MELLON 140042	1,299	2.10
Tsuruha Co., Ltd.	1,272	2.05
THE BANK OF NEW YORK MELLON 140044	1,187	1.92
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS — UNITED KINGDOM	1,163	1.88
Japan Trustee Services Bank, Ltd. (trust account)	1,153	1.86

(Notes) 1. We possess 1,516,887 treasury shares, but exclude ourselves from the above list of the main shareholders.  
2. The shareholding ratio is calculated after excluding our treasury shares.

### Share Price Chart

