

Integrated Report 2023

SUGI Holdings Co., Ltd.

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<https://www.sugi-hd.co.jp/>



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.**



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

Corporate Watchwords and Management Philosophy at the Time of Our Establishment

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.

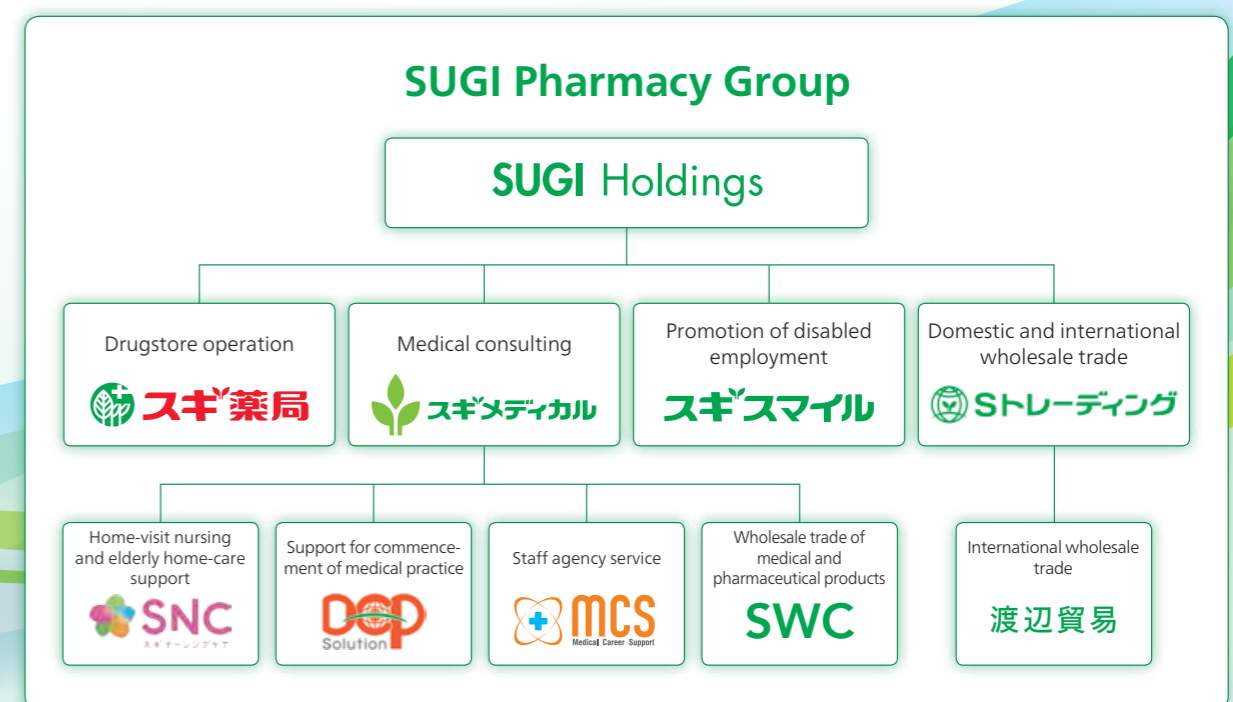
Management Philosophy

<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.

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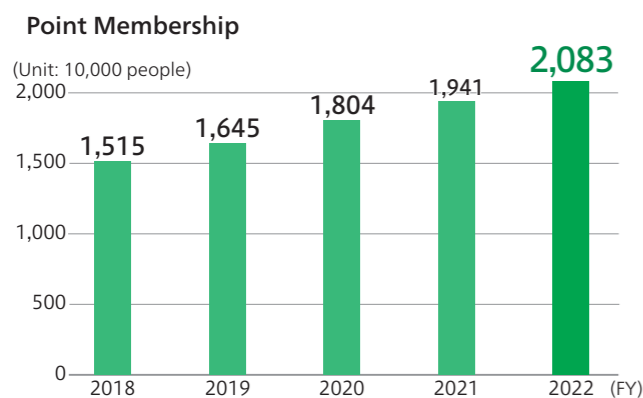
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Focus on Each Individual



**Respect for Each Customer
in Front of Our Eyes**



Point Membership:
20.83 million People

The SUGI Pharmacy Group began in 1976 as a pharmacy operating in an area of only 16 tsubo (1 tsubo = 3.3 m²) in Nishio City, Aichi Prefecture. Since then, we have been supported by local customers. In FY2022, the annual total number of visitors to our pharmacies reached 340 million, while our point membership increased to 20.83 million. As a local "family pharmacy," we are committed to enhancing citizens' lifelong wellness.



Human Resources Are an Asset

At the SUGI Pharmacy Group, we are striving to develop human assets with a focus on each individual and proceed with human capital management based on the six principles of "Ensure employees' motivation," "Develop human assets," "Ensure human assets," "Ensure legal compliance and change the corporate culture," "Ensure diversity," and "Ensure health and safety." We are working toward achieving sustainable growth by realizing the Total Healthcare Strategy and practicing a management philosophy embracing "kind behavior," "contribution to local communities," and "employees' happiness and smiles."

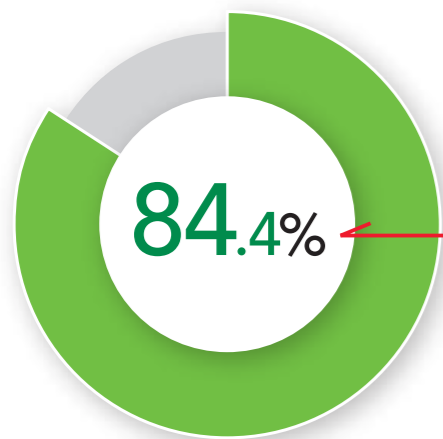
**Stimulate Each Employee's Capability and
Enhance Their Motivation**



Contribution to Community Healthcare



Operating Prescription Dispensing Drugstores – Our Unwavering Focus Since Our Establishment

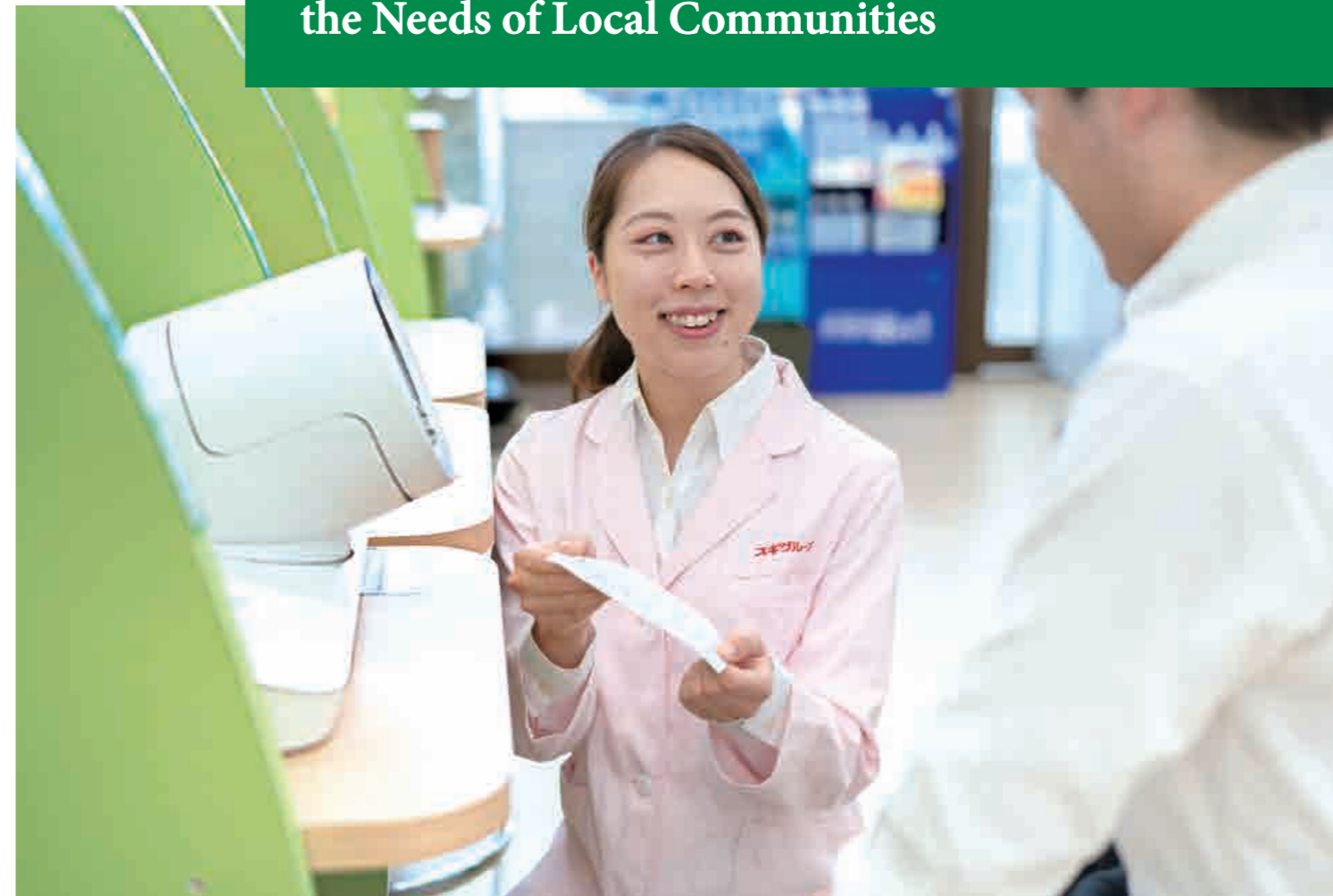


Percentage of our **prescription dispensing** stores

Experts *including partner employees

- Pharmacists **3,688**
- Pharmacists registered as "family pharmacist" **618**
- Board-certified Pharmacists of Ambulatory Cancer Chemotherapy **4**
- Accredited Pharmacists of Ambulatory Cancer Chemotherapy **8**
- Beauty advisors **1,268**
- Nationally certified dietitians **501**
- Nurses **105**
- Registered pharmaceutical distributors **9,019**

A Wide Variety of Experts Accommodating the Needs of Local Communities



Dedication to Prescription Dispensing



**Prescription Dispensing Know-how
Accumulated since Our Establishment**

Sales of prescription
dispensing

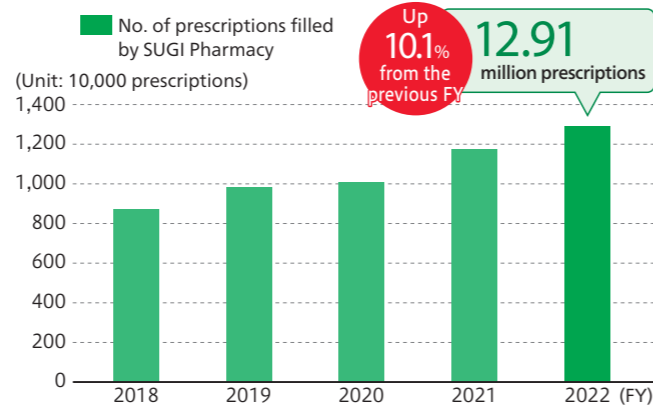
Up
7.3%
from the
previous FY

142.4 billion yen

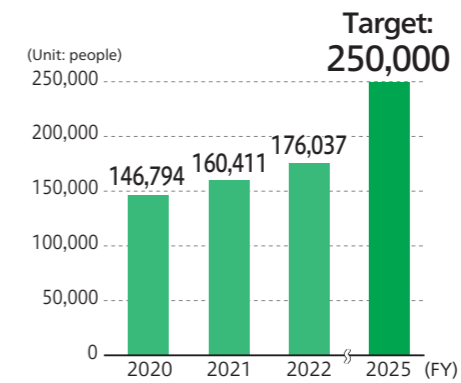
No. of medical institutions whose
prescriptions are filled by us

56,372 institutions

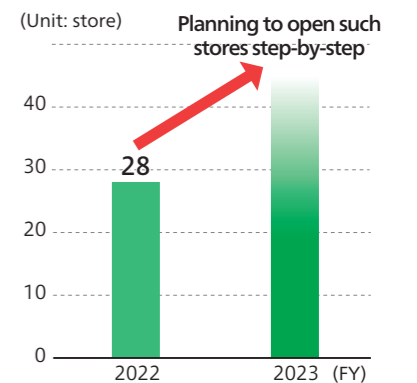
No. of Prescriptions Filled by Us



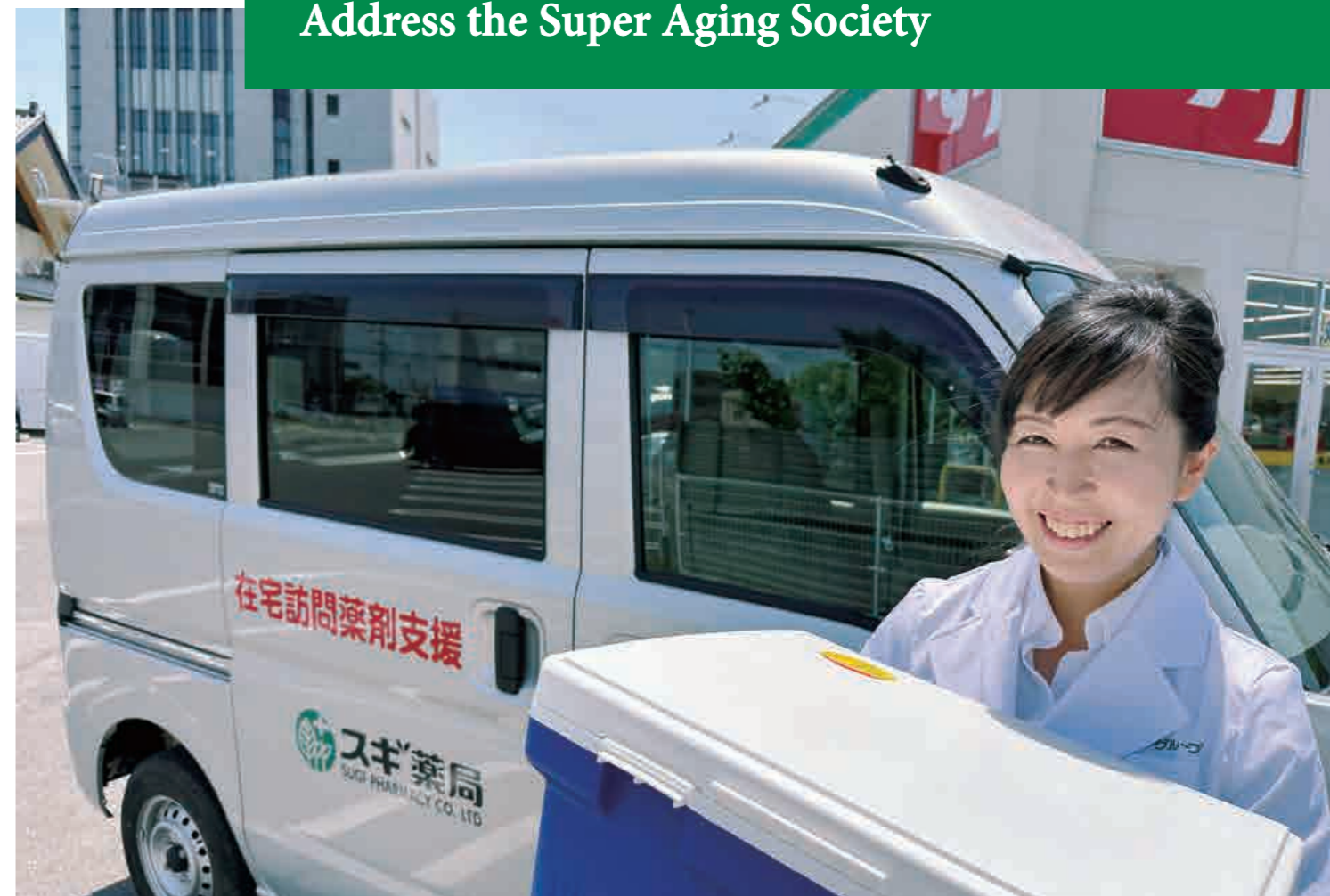
Users of Home-Visit Prescription Dispensing Service



Stores Specializing in Home-Visit Prescription Dispensing



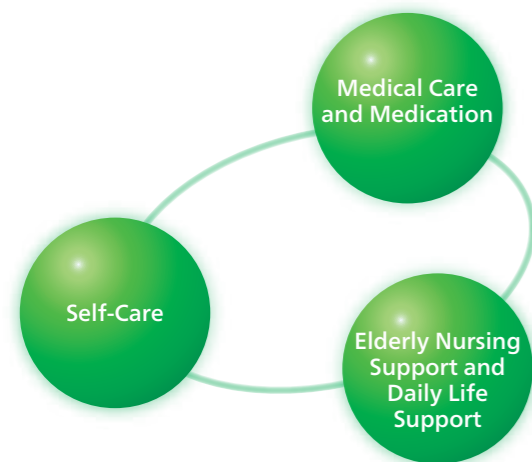
Home-Visit Prescription Dispensing to Address the Super Aging Society



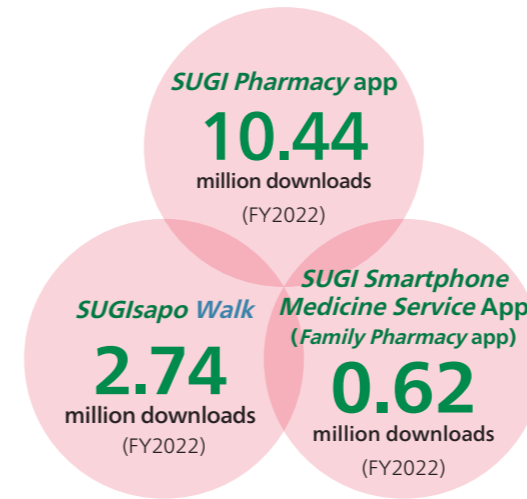
Total Healthcare Strategy



Support for Each Individual's
Lifelong Health



Contribute to Local Communities through Total Health Support, Ranging from Self-Care to Medical Care, Medication, Elderly Nursing Support, and Daily Life Support



No. of SUGI Digital App Downloads
Total: **13.81** million downloads (FY2022)

The membership of our digital apps comprises the base for a variety of our digitalized healthcare services and sales promotion tailored to individual needs. In FY2022, we promoted the downloading of each app and achieved 13.81 million downloads. We will continue to provide digitalized services, including various healthcare services designed for each customer to enjoy even more valuable experience, and proceed with digitalized sales promotion tailored to individual needs.

DX to Enhance the Value of Each Individual's Customer Experience



SUGI Pharmacy Group's Mission

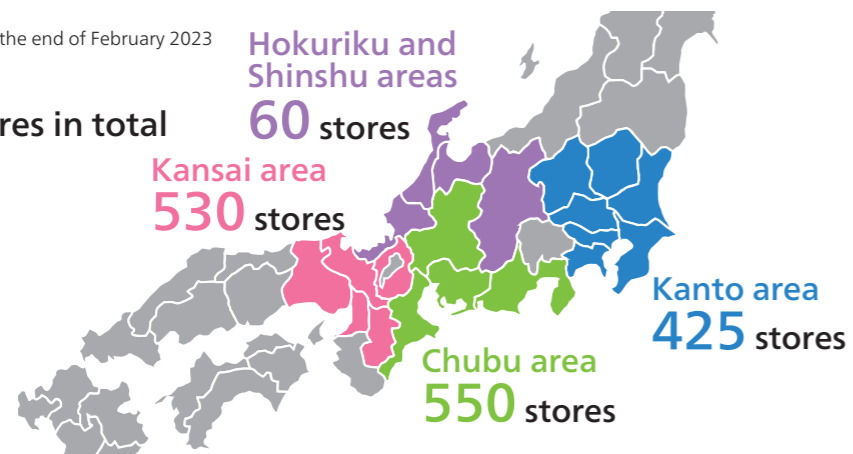
Store Network Continuing to Expand



Network Consisting of
More than 1,500 Stores

No. of Stores As of the end of February 2023

1,565 stores in total



Atsumi Hospital Store
(pharmacy located on the premises
of a medical institution)



Shinshu University Store (pharmacy located
on the premises of a medical institution)



Nagoya University Hospital Store
(pharmacy located on the premises of a
medical institution)



Minami-Senri Station Road Store
(a medical mall)



Development of Multi-functional Stores for
the Expansion of the Healthcare Network



Hara-Minami Store
(featuring a medical institution)



Uchiyama Store
(featuring a medical institution)



COSME CARAT
Omote-Sando Harajuku Store
(specializing in beauty items)



SUGI Pharmacy Group's Value Creation Story

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- 17 Figures Showing the SUGI Pharmacy Group's Strengths
- Six Kinds of Capital Underpinning the Business Foundation -
- 19 Figures Showing the SUGI Pharmacy Group's Sustainability
- 21 Value Creation Process



Growth Milestones

Establishment

The number of drugstores exceeds 500

The number of drugstores exceeds 1,000

The number of drugstores exceeds 1,500

1976	2006	2007	2008	2009	2010	2011	2012	2013	2015	2016	2017	2018	2019	2020	2021	2022	2023
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- Established the first store in the Kanto area to make inroads into the area
- Constructed our own building in front of Mikawa-Anjo Station and relocated the headquarters there to enhance the functions of the headquarters
- Established the first store in the Kansai area to make inroads into the area
- Listed on the first section of the Tokyo Stock Exchange
- Introduced the SUGI point card system to all the stores
- Launched as a "family pharmacy" in a small town in Nishio City, Aichi Prefecture

- Transferred to a holding-company system through an incorporation-type company split with Sugi Pharmacy Co., Ltd. and SUGI Medical Co., Ltd. newly established
- Changed the trade name Sugi Pharmacy Co., Ltd. to SUGI Holdings Co., Ltd.
- Acquired full ownership of Iizuka-yakuin Co., Ltd.
- Acquired full ownership of Japan Co., Ltd.

- Established the first key store for strategic dominance in Nishio City
- Achieved a corporate integration between SUGI Medical Co., Ltd. and Japan Co., Ltd.
- Integrated with Iizuka-yakuin Co., Ltd.

- Relocated the headquarters to Obu City and added our own logistics center to the headquarters
- Established DCP Solution Co., Ltd. to provide support for doctors to open clinics
- Concluded a capital and business alliance with the MedPeer Group

- Established a pharmacy on the premises of a national university's hospital, which was the first case in the drugstore industry
- Launched a specific health guidance service by nationally certified dietitians
- Concluded a business alliance with PREVENT Co., Ltd.
- Established S Trading Co., Ltd. to supply products to both domestic and foreign markets
- Concluded a capital and business alliance with Inagora Holdings Co., Ltd.
- Concluded a business alliance with Omnicare Joint Stock Company (Vietnam)
- Concluded a business alliance with Great Tree Pharmacy Co., Ltd. (Taiwan)
- Concluded a business alliance with ALPRO Pharmacy (Malaysia)
- Concluded a business alliance with Scroll Corp.
- Transferred to the Tokyo Stock Exchange Prime Market and the Nagoya Stock Exchange Premier Market



Store at the time of the establishment



Listed on the first section of the Tokyo Stock Exchange



Former headquarters in Mikawa-Anjo



Kumami Store opened as the first key store



Headquarters relocated to Obu



Nagoya University Hospital Store (pharmacy located on the premises of a medical institution)



Shinshu University Store (pharmacy located on the premises of a medical institution)



Great Tree Pharmacy Store

- Established a human rights policy for the SUGI Pharmacy Group
- Received refugees from Ukraine at SUGI Pharmacy under a labor support program by Obu City
- Certified for four years in a row as an outstanding enterprise in terms of health and productivity management
- Concluded a comprehensive agreement on regional revitalization SDGs with Aichi Prefecture
- Awarded the grand prize of the Supply Chain Innovation Award 2021
- Established the ESG Promotion Office and the Sustainability Committee
- Established a joint research course with Kanazawa University
- Launched sales of a lifestyle-related disease risk report using big data
- Concluded a comprehensive partnership agreement with the Graduate School of Pharmacy, Kindai University
- Acquired Platinum Kurumin certification
- Concluded a partnership contract with FC Kan'ya, a non-professional soccer team
- Concluded comprehensive partnership agreements with local governments toward the realization of sustainable community development
- Constructed a health promotion hub center on the former site of SUGI Pharmacy's first store and provided the land and building to Nishio City
- Acquired certification of the general incorporated foundation Sugiura Community Healthcare Promotion Foundation as the public service corporation The Sugiura Memorial Foundation

- Launched the donation of medical wigs to breast cancer patients
- Launched the donation of AEDs to facilities for senior citizens
- Organized a donated course on comprehensive community care system, which was the first case in Japan, at Nagoya University
- Established the Sugiura Community Healthcare Promotion Foundation, with Hirokazu Sugiura and Akiko Sugiura as its founders

- Donated the SUGIURA Community Healthcare Center, established on the premises of the Graduate School of Medicine, Kyoto University, from our founders Hirokazu Sugiura and Akiko Sugiura
- Launched cosmetic therapy at facilities for senior citizens and hospitals
- Established SUGI Smile Co., Ltd. to promote disabled employment
- Launched home-visit nursing and elderly home-care support services

- Launched a facility-visit prescription dispensing service for senior citizens
- Launched aseptic prescription dispensing in a clean room
- Launched a home-visit prescription dispensing service for individual patients



Home-visit prescription dispensing service launched



Clean room established



Home-visit nursing service launched



SUGIURA Community Healthcare Center donated



The Sugiura Memorial Foundation certified as a public service corporation



サプライチェーンイノベーション大賞 2021
Supply chain Innovation Award



健康経営優良法人 2023
Health and productivity

Business Development

Community Healthcare and Social Contribution

Figures Showing the SUGI Pharmacy Group's Strengths

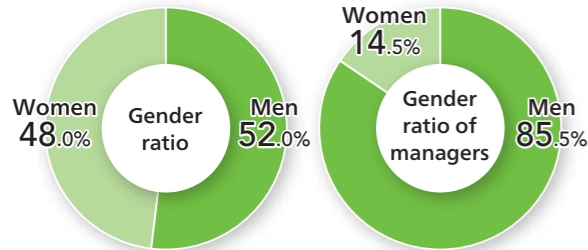
- Six Kinds of Capital Underpinning the Business Foundation -



A wide variety of experts accommodating needs from local communities

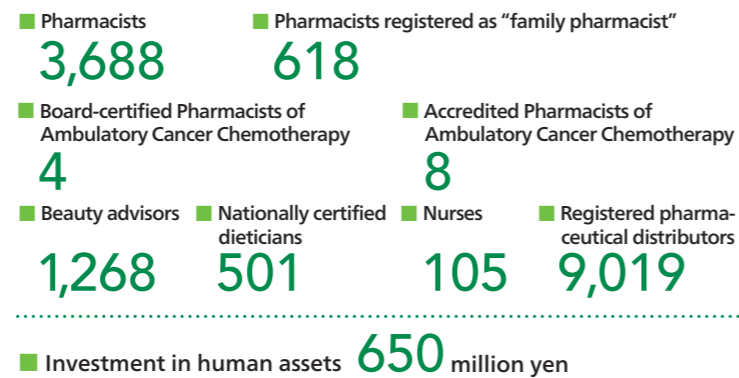
No. of full-time employees

7,727



*Managers: Those in managerial positions and those with a certain level of in-house qualifications

Experts *including partner employees



Prescription dispensing know-how accumulated since our establishment

Sales of prescription dispensing

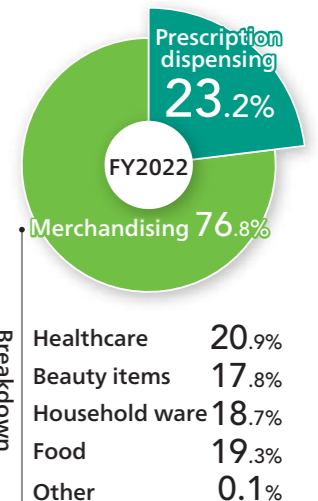
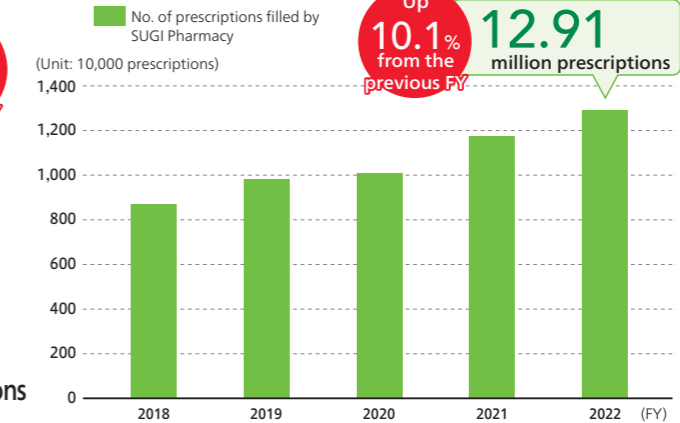
142.4 billion yen

Up 7.3% from the previous FY

No. of medical institutions whose prescriptions are filled by us

56,372 institutions

No. of prescriptions filled by us



Network of stores underpinning local communities

No. of stores *As of the end of February 2023

1,565

Newly established 107 stores

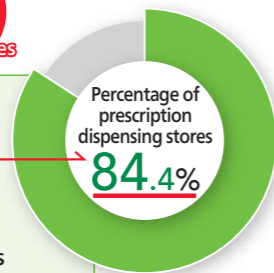
SGUI Pharmacy: **1,446** stores (including 1,220 prescription dispensing stores)

Japan Co., Ltd.: 105 stores

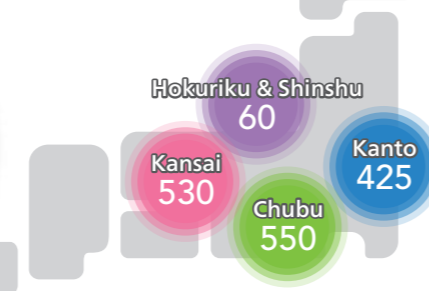
Home-visit nursing stations: 14 bases

Stores providing a home-visit service: 565 stores

Home-visit prescription dispensing centers: 28 bases



No. of stores by area



Relationship of trust with customers and local communities

No. of annual visitors

340 million visitors

SUGI Point membership

20.83 million members

Digital membership

13.81 million members

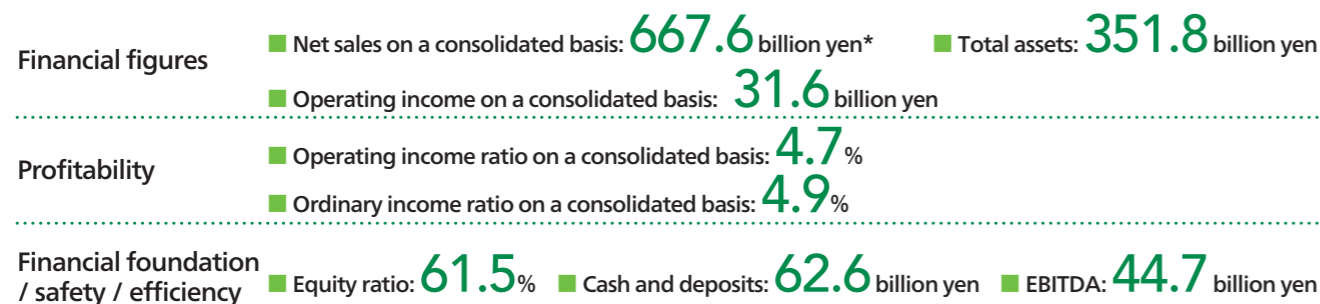
No. of agreements with local governments

84 agreements

*Total number of downloads of SUGI Pharmacy app and SUGIsapo app, as well as registrations of SUGI Pharmacy as a "family pharmacy" through the Family Pharmacy app developed by MedPeer



Sound financial foundation



*The Accounting Standards for Revenue Recognition (Corporate Accounting Standards No. 28, March 31, 2020) have been in place for our accounting since the beginning of the consolidated fiscal year 2023. The figures for FY2022 have been revised based on the accounting standards.



Natural capital underpinning our business operations

Energy use

307,889 thousand kWh/year

Water use*

755,045 m³/year

*An estimated figure obtained after dividing the relevant water charges by the unit price (set by Obu City, Aichi Prefecture)

Figures Showing the SUGI Pharmacy Group's Sustainability

Healthy Community →P57

No. of stores providing a home-visit prescription dispensing service

565 stores

No. of local alliance pharmacies

46 stores

No. of pharmacies allied with specialized medical institutions

3 stores

No. of stores equipped with an AED: **231** stores

Target 20% of all the stores (by the end of FY2025)

Percentage of stores sending prescriptions through the SUGI Smartphone Medicine Service app

15.1 %



Annual total of users of our home-visit prescription dispensing service

17.6 million patients

Target 25 million patients (by the end of FY2025)

Sustainable Business Partnerships →P67

Percentage of eco-friendly private brand products

12.2 %

Target 30% (By the end of FY2030)



Percentage of private brand product sales

9.6 %

Sustainability policy information session for business partners

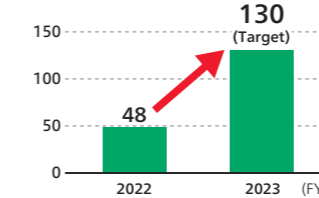
No. of attendees **421** people

Contribution to the Global Environment →P73

No. of stores equipped with solar panels

48 stores

Stores equipped with solar panels



No. of stores collecting resources* for recycling

15 stores

*PET bottles, medicine press-through-pack (PTP) sheets, and clothing

Healthy Workplace Environment →P81

Ratio of female managers: **14.5** %

Target 30% (by the end of FY2029)

Percentage of employees taking parenting leave

Men: **53** % Women: **100** %

Engagement index: **3.1**

Target 3.5 (by the end of FY2023) 4.0 (long-term target)

Percentage of employees returning to work after taking parenting leave

Men: **100** % Women: **94.7** %

Health checkup rate: **99** %

Target 100%

Corporate Governance →P91

Percentage of outside directors

40 %

Percentage of female directors

20 %

No. of dialogue sessions with investors

200 sessions

Percentage of outside auditors

100 %

Value Creation Process

Changes in society

Market Environment →P25

Increasingly serious social problems	Changes in values	Technology innovation
<ul style="list-style-type: none"> ● Aging population and lower birthrates ● Increase in medical costs ● Global warming ● Use of plastics 	<ul style="list-style-type: none"> ● Diversification of values ● Changes in consumption behavior ● Shift from ownership to sharing 	<ul style="list-style-type: none"> ● Promotion of 5G and expansion of IoT ● Integration of the real and the digital

Business Model

Sources for Creating Value →P17

Human capital

A wide variety of experts

- SUGI Pharmacy Group's employees: 34,619
- Pharmacists: 3,688
- Nationally certified dieticians: 501
- Beauty advisors: 1,268
- Nurses: 105
- Investment in human assets: 650 million yen

Manufacturing capital

Network of community-oriented stores

- No. of stores: 1,565
- No. of stores providing a home-visit service: 565
- No. of home-visit nursing stations: 14

Financial capital

Sound financial foundation

- Total assets: 351.8 billion yen
- Capital investment: 21.5 billion yen
- Equity ratio: 61.5%

Intellectual capital

Accumulated know-how

- Expertise on prescription dispensing
- Know-how of establishing and operating stores
- No. of medical institutions whose prescriptions are filled by us: 41,127 institutions

Social capital

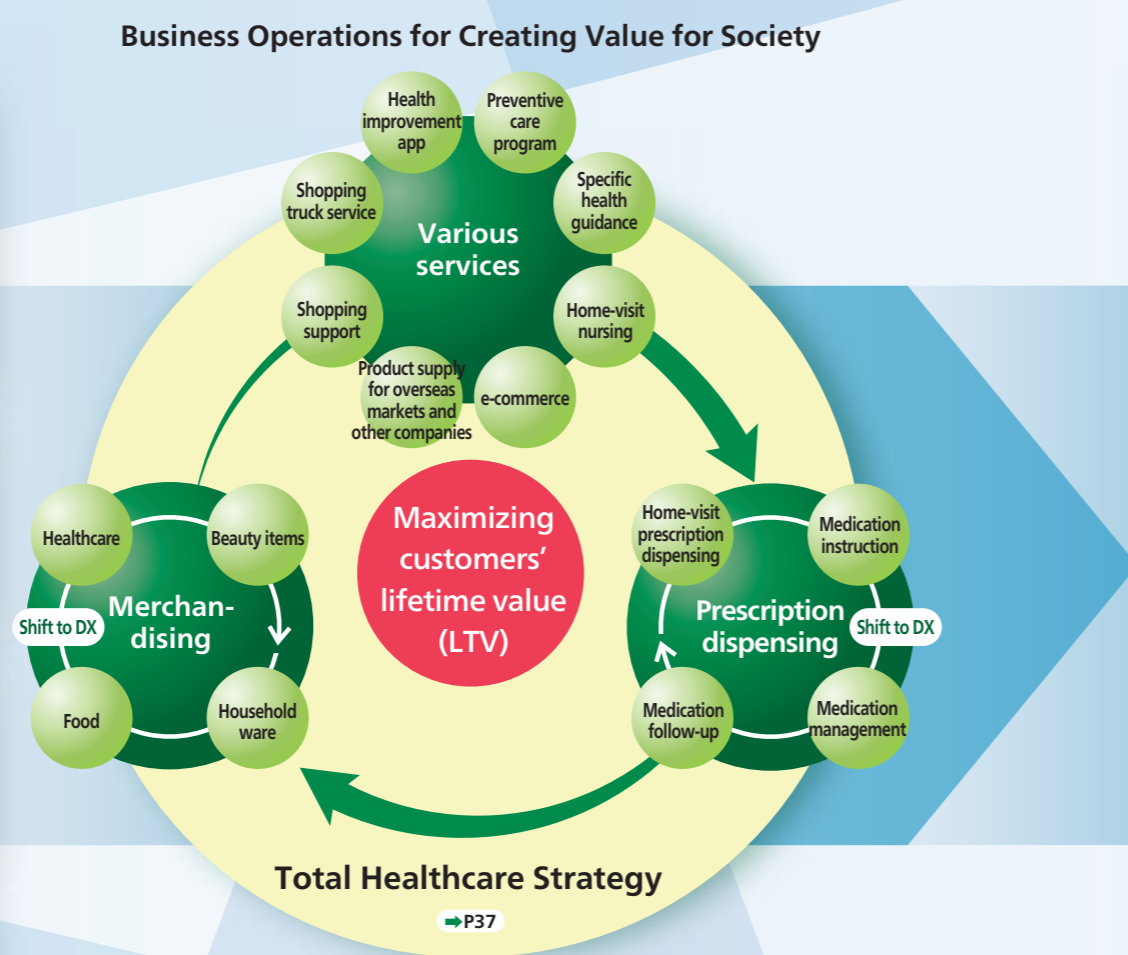
Community-oriented corporate activities

- No. of agreements with local governments: 84 agreements
- Membership as the activity cornerstone: 20.83 million members

Natural capital

Energy resources necessary for our operations

- Energy use: 307,889 thousand kWh/year
- Water use: 755,045 m³/year



Various Services Provided by Experts at Physical Stores

- Drugstore**
Provide products and services for helping citizens enjoy rich lifestyles, and operate one-stop stores.
- Beauty & wellness**
Operate stores in which experts, such as beauty advisors and nationally certified dieticians, underpin beauty and health in the local communities.
- Insurance dispensing**
Operate a wide variety of stores, ranging from community-oriented stores to highly specialized stores.
- Elderly nursing care & nursing**
Operate in the fields of elderly nursing care and nursing by, for example, providing a home-visit nursing service and leasing welfare products.
- Overseas operations**
Provide high-quality products to overseas markets by forming alliances with pharmacies operating in Taiwan, Vietnam, and Malaysia.

Outcomes to Be Achieved

Financial Indexes →P103

- Net sales: 667.6 billion yen*
- Operating income: 31.6 billion yen
- EBITDA: 44.7 billion yen
- Net income per share: 311 yen
- ROE: 8.8%

*The Accounting Standards for Revenue Recognition (Corporate Accounting Standards No. 28, March 31, 2020) have been in place for our accounting since the beginning of the consolidated fiscal year 2023. The figures for FY2022 have been revised based on the accounting standards.

Non-Financial Indexes →P53, P104

- Healthy Community →P57
- Sustainable Business Partnership →P67
- Contribution to the Global Environment →P73
- Healthy Workplace Environment →P81
- Corporate Governance →P91

Value to Be Presented to Society

Solution of Social Problems

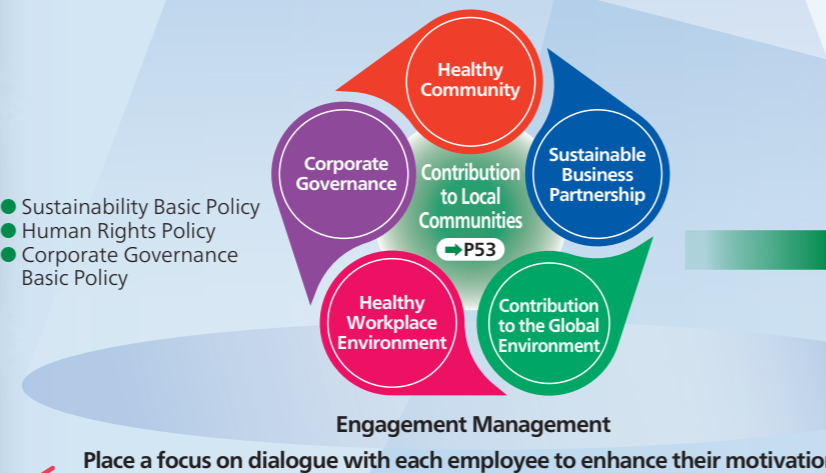
Address 16 Priority Issues

- Reduce medical costs
- Extend healthy life expectancy
- Contribute to the global environment

Realize the Management Philosophy

Accomplishing a society where everyone is happy and full of smiles

Priority Issues (Issues of Materiality) for Proceeding with Sustainability Management



Place a focus on dialogue with each employee to enhance their motivation

Return value

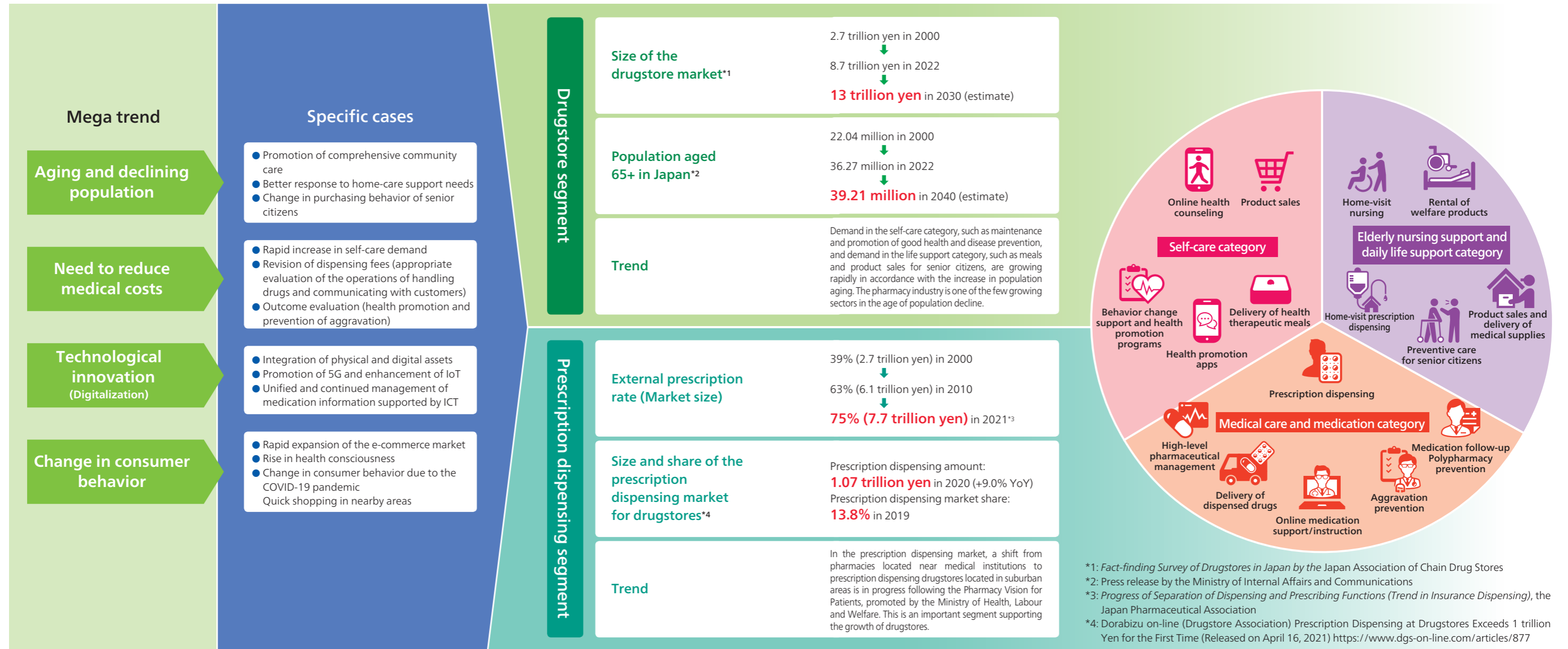
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Business Report on Sugi Pharmacy Co., Ltd.



Market Environment

What is required in addressing challenges, such as the aging and declining population and the need to reduce medical costs, is total healthcare covering self-care, elderly nursing support, and daily life support focused on each customer. Drugstores are experiencing accelerated digitalization in a wide variety of forms in line with changes in society. In addition, the Ministry of Health, Labour and Welfare is promoting policies to reorganize all pharmacies into "family pharmacies" by 2025.



Business Organization's Recommendation on Ideal Visions for Pharmacies and Pharmacists

The Japan Business Federation has presented a healthcare model and recommended the use of online features so that the industry can accommodate health care needs, which are expected to diversify increasingly in line with technological innovation and changes in consumer behavior.

Specific details

- Using smartphone apps and other tools for presenting suggestions for appropriate health management
- Outsourcing prescription dispensing to highly automated prescription dispensing pharmacies
- Spreading last-mile delivery and delivery boxes
- Providing a full line of online services ranging from counseling to medication instruction and medication follow-up
- Spreading e-prescriptions

*With reference to *Healthcare in the Age of Society 5.0 Vol. III – Many More Healthcare Options Coming from the Use of Online Features*, Japan Business Federation

Pharmacy Vision for Patients, Promoted by the National Government

In 2015, the Ministry of Health, Labour and Welfare released the Pharmacy Vision for Patients in order to present the future vision of family pharmacies toward realizing separation of the dispensing and prescribing functions with a focus on patients. Taking advantage of the revision of the Pharmaceutical and Medical Device Act, the Ministry has also presented the course of action to reorganize current pharmacies into family pharmacies.

- 2015: **The Ministry of Health, Labour and Welfare released the Pharmacy Vision for Patients.**
 - Aiming to equip all pharmacies, including those located near medical institutions, with the functions of a family pharmacy
- 2020: **It became mandatory to provide medication follow-up (revision of the Pharmaceutical and Medical Device Act).**
 - Providing patients with continuous medication follow-up

- 2021: **A pharmacy certification system was introduced (revision of the Pharmaceutical and Medical Device Act).**
 - Local alliance pharmacies and pharmacies allied with specialized medical institutions
- 2025: **All pharmacies will be reorganized into "family pharmacies."**
 - Use of ICT
 - Family pharmacy + health support functions
- 2035: **Pharmacies will demonstrate the family pharmacy function in daily living areas.**
 - Placing a high value on pharmacies relocated to a daily living area



Katsunori Sugiura

Representative Director & President
SUGI Holdings Co., Ltd.
Representative Director & President
Sugi Pharmacy Co., Ltd.

Proceed with the Total Healthcare Strategy by Leveraging the SUGI Pharmacy Group's Strength of Human Capital and DX and Contribute to Everybody's Healthy, Rich Lifestyles

External Environment Surrounding the SUGI Pharmacy Group's Business Operations and the Group's Response Policy

Amid the globalization of the economy and the advancement of the supply chain, the COVID-19 pandemic and the Ukraine crisis are greatly affecting the SUGI Pharmacy Group. In addition, the current combination of increases in prices of crude oil, wheat and other items and a rapid depreciation of the yen is boosting commodity prices, and the electricity prices are also soaring. With the end of the peaks of the seventh and eighth pandemic waves caused by the omicron coronavirus variant, COVID-19 has been finally recategorized as a Category V Infectious Disease. Although things are returning to normal, there is a delay in recovery of consumer spending, suggesting that the harsh situation will continue.

While consumer spending is stagnant, there is growth in "premium consumption," in which consumers carefully select for what they will pay before spending lavishly for products and services that will enable them to feel or experience high value. In addition, non-contact or non-face-to-face behaviors, which spread during the pandemic period, have now taken root as a new form of lifestyle. Another interesting phenomenon is the widespread use of the smartphone among senior citizens. As well as young consumers, senior citizens are obtaining information online or through apps. Now that the presence of the smartphone as a gateway to consumption is increasing, the healthcare market has no choice but to change.

In these circumstances, we understand that we operate in one of the few growing industries in Japan, a country experiencing an aging population and lower birthrate. In tandem with an increase in aging population, the number of those with interest in their health and beauty is growing, making us expect that the healthcare industry will further expand. The overall drugstore industry has marked a growth of approximately 10%, but in the field of prescription dispensing, the

profit rate is declining as a result of a revision of drug prices and medical treatment fees. With much more focus being placed on communication with customers, the industry's situation is becoming even more severe, making us foresee that the industry will experience a full-scale reorganization and that less competitive operators will go out of business in the future. In this environment, we would like to explore a wide variety of possibilities and actively cooperate with entities sharing the same ambitions as ours.

SUGI Pharmacy Group's Commitment to Creating Value by Leveraging Its Features and Advantages

The SUGI Pharmacy Group boasts a wide variety of experts as our human capital, such as pharmacists, nationally certified dietitians, beauty advisers, nurses, and registered pharmaceutical distributors. Of particular note are as many as 3,700 pharmacists. Affected by the continuing shortage of pharmacists, many conventional prescription dispensing pharmacies and drugstores are being forced to ensure pharmacists urgently. In addition, supermarkets, convenience stores, and EC businesses are making inroads into the field of prescription dispensing, making it even more challenging to secure pharmacists. Despite this trend, we are steadily increasing the number of pharmacists, and this is one of our great advantages. We are confident that this has resulted from the fact that we have been taking on the challenge, since the dawn of the drugstore industry, in realizing our growth by developing a chain of prescription dispensing drugstores. Our unwavering dedication to prescription dispensing that we have continued since our foundation presents a specific vision with local communities, and also with pharmacy students and pharmacists working actively who would like to place a focus on each patient, and stirs empathy among them. This gives us a great advantage in terms of recruitment.

Another advantage is our speed in establishing new stores

– we annually set up more than 100 stores. By pushing forward with our strategic dominance of setting up new stores in specific areas, we are expanding our operating scale in the metropolitan areas of Kanto, Chubu and Kansai while reinforcing our efforts to open new stores in the Hokuriku area. Last year, we also opened our first store in Nagano Prefecture. As indicated by the fact that we newly set up 107 stores in FY2022, we remain one of the industry's leaders in terms of the number of annual store openings. As of the end of February 2023, the number of stores of the entire SUGI Pharmacy Group reached 1,565. The percentage of prescription dispensing stores, which is one of our advantages, increased to 84.4%, one of the highest figures among major drugstore operators. This serves as a source for creating value when we implement the Total Healthcare Strategy. We would like to contribute as a reliable "family pharmacy" that can underpin all the health stages of customers, ranging from daily health management to terminal care. To that end, not only are we establishing new stores successively, but we are also actively renovating existing stores to enlarge their dispensing rooms or waiting rooms. We will continue to ensure that pharmacists and other in-store experts can fully demonstrate their capabilities in order to contribute to the realization of sustainable comprehensive community care centering on medical institutions.

We are also reinforcing our commitment to digitalization. We provide app services for customers to enjoy even more comfortable and healthier lives. These services are increasing customer satisfaction and leading app users to visit physical stores or use other services, resulting in the generation of a virtuous circle. In January 2023, we renovated the *SUGI Pharmacy* app, boasting more than 10 million downloads and leading our digitalization strategy. This renovation has enabled the app to provide information and coupons for individual customers according to the segment classified finely to further raise the quality of customer experiences and the level of customer satisfaction. We will reinforce our ability to present proposals regarding products and services so that each customer will become even more satisfied, thereby deepening our ties with them. We will strive to establish an environment in which customers can feel "SUGI Pharmacy on the



Palm Anytime and Anywhere" by ensuring that customers can use their smartphones as checkout machines at physical stores, as well as to check stores' product lineup, prices, and inventory outside the stores and place an order on our EC website. Meanwhile, the numbers of downloads of *SUGIsapo Walk*, a platform for raising awareness of health trouble, and other health support apps are also growing remarkably. These apps are increasing their presence as tools for enhancing customers' lifetime value.

Not only do we provide online counseling services, but we also use digital devices at stores to present proposals in the field of beauty items and proposals regarding lifestyles, thereby increasing customer satisfaction. By establishing an environment in which each in-store staff member can fully demonstrate their capability, we can help them improve their working style and enable them to concentrate on communication with customers, which leads to even better customer satisfaction. We will actively proceed with digital transformation (DX) in order to generate value for customers and all the other stakeholders.

At the SUGI Pharmacy Group, we will further consolidate our strengths as sources for generating such value. To underpin community healthcare and contribute to local communities, we will continue to address the five themes and 16 priority issues that we have set, proceed with sustainability management, and commit to realizing a sustainable society.

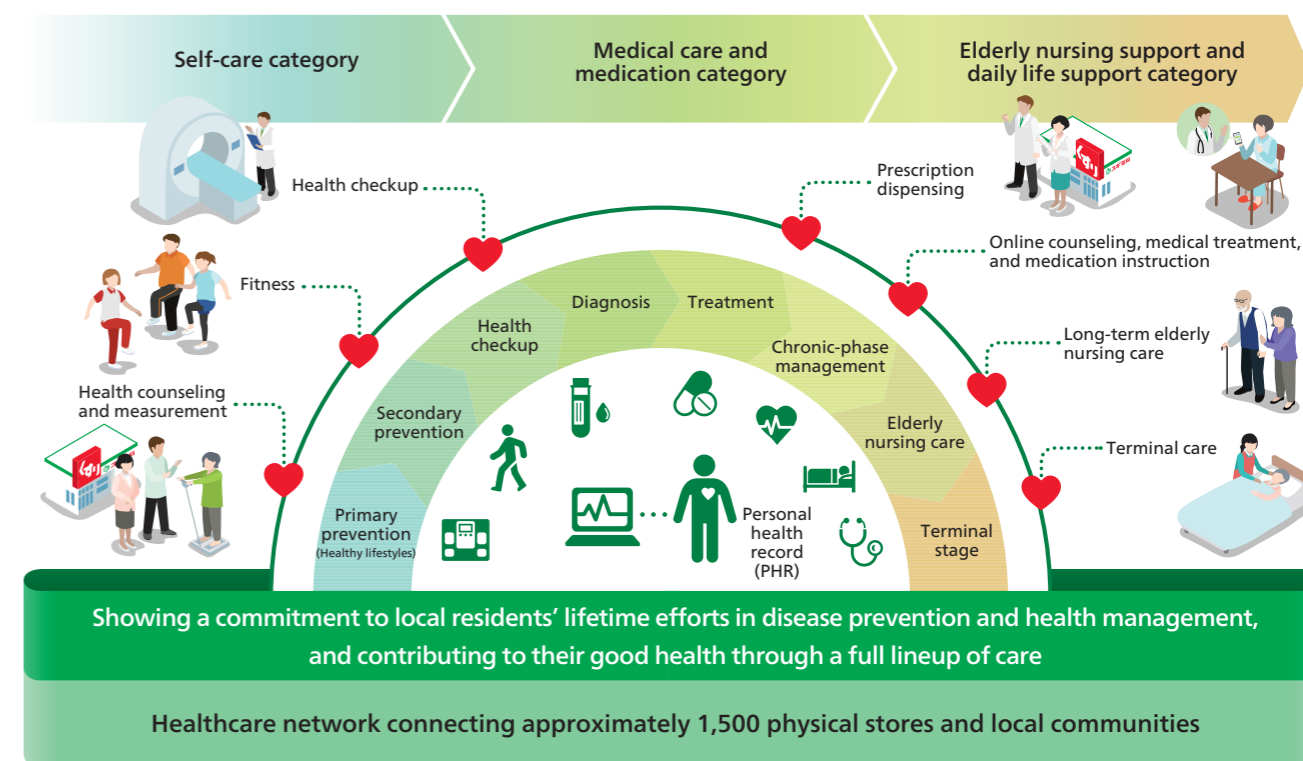
SUGI Pharmacy Group's Total Healthcare Strategy

Representing the entire vision of our various initiatives, the Total Healthcare Strategy serves as our operating foundation. Guided by the strategy, in which "health and medical care" are set as the key phrase, we provide support for customers and patients regardless of their health condition while addressing the aging population and lower birth rate confronting Japanese society and taking advantage of digital technology created one after another in its continuous evolution process.

From birth until the end of life, human life is frequently supported by medical care and medicine in various situations. Using such medical care and medicine, people strive to treat disease and injury, address changes caused by aging, and maintain their good health. Under the Total Healthcare Strategy, we divide human life into the following three phases: the "self-care" period with a focus on primary prevention and secondary prevention to maintain a healthy life; the "medical care and medication" period, when people develop diseases and receive treatment for their symptoms in the acute phase or the chronic phase; and the "elderly nursing support and daily life support" period. This strategy shows our commitment to local residents' lifetime efforts for disease prevention and health management, thereby striving to contribute to their good health through a full lineup of care.

With our prescription dispensing drugstores serving as the hub, we would like to establish a healthcare network by forming partnerships with physical facilities, such as health checkup centers, nursing facilities for senior citizens, and fitness centers, and ensuring cooperation with local governments while making full use of DX. Such a network will pro-

Total Healthcare Strategy



vide us with a platform for using the real and the digital seamlessly with the focus on local communities. The platform will enable us to ensure points of contact with customers regardless of their health condition and provide the most appropriate product and service for each customer.

Many citizens consult doctors after some health anxiety or worry arises, but such a conventional approach will make it impossible for them to fully enjoy their lives in the super-aging society, which is experiencing the advent of the so-called "100-year life." We need to continue to support each customer's healthy life by ensuring cooperation at each stage with local governments, health insurance associations, medical care and elderly nursing care workers, and players in many other fields. We urgently need to establish a network of players mainly in the medical field and also other industries in order to support communities, senior citizens, and their families. We have already received endorsement from some companies and local governments, leading to the expansion of a healthcare network in various communities. This strategy is also highly regarded abroad, enabling us to cooperate with local companies in Asian countries and proceed with various initiatives. We will continue to work with a wide variety of companies, organizations, and local governments and further accelerate the speed of our efforts toward realizing the Total Healthcare Strategy.

SUGI Pharmacy Group's Sustainability Management

In 2021, to develop a framework for proceeding with sustainability management, we established the Sustainability Committee and the ESG Promotion Office (presently the ESG Promotion Section of the President Office) and set five themes

and 16 priority issues (issues of materiality), hereby intensifying our efforts.

An increase in awareness of the SDGs is found in consumers of all generations, but this trend is evident particularly among young Millennial consumers and Generation Z. A familiar example is ethical consumption, meaning a selection of products produced with greater consciousness of the environment or human rights. The world is casting a stern eye on how we address challenges that need to be handled throughout the entire supply chain, such as suppliers' commitment to human rights. In FY2022, based on an increase in international awareness of the issue of human rights and also in view of our corporate social responsibility, we formulated the SUGI Pharmacy Group Human Rights Policy to establish a framework for us to fulfill our responsibility throughout our supply chain. From now on, we need to ask our suppliers to use raw materials procured in due consideration of human rights. In addition, we will use a platform or other tools provided by NPOs to evaluate ethical levels of suppliers around the world. By doing so, we will reinforce our commitment to human rights due diligence, especially in the field of in-house development of products.

We will also continue to focus on recycling resources. Embracing the concept "domestic recycling of domestic resources," we will fulfill our responsibility as a distributor of many products and make as much contribution as possible in cooperation with many partners. In FY2022, we began to commit to Bottle-to-Bottle Horizontal Recycling, intended to recycle used PET bottles into new PET bottles. Although this project is still on a test-run, some stores serving as a collection point for recycling PET bottles are experiencing win-win situations, as indicated by evident increases in the frequency of customers' visits to the stores and the number of items purchased by cus-

tomers, and a good reputation among customers regarding our collection of PET bottles. Meanwhile, to support the recycling of medicine press-through-pack (PTP) sheet waste generated in a large quantity mainly in the field of prescription dispensing, we will serve as a collection point. Furthermore, we will collect uniforms to be disposed of so that they can be upcycled into resources for in-house equipment. We will also work with food banks to address the problems of food loss and poverty. We will, thus, continue to handle social problems step-by-step, which will lead us to contribute to local communities and ultimately to establish a status as a company loved by local communities.

Views on Carbon-Free Management and Progress in Our Commitment

Setting the realization of a carbon-free society as one of our priority issues, we are accelerating our commitment. In the first year of our commitment, we visualized the emissions from Scope 1 (direct GHG emissions), with our focus on the consumption of gas for company cars, and the emissions from Scope 2 (in proportion to the use of electricity) and set a CO₂ emissions reduction target to be achieved by 2030. Although we had aimed to reduce CO₂ emissions per store by 35% by FY2030 compared to FY 2014, we made an upward revision to 50% at an early phase. In December 2021, we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In line with the disclosures recommended by the TCFD, we have been proceeding with appropriate efforts through the Sustainability Committee and the Board of Directors, such as identifying our risks and opportunities and examining a roadmap toward the reduction of CO₂ emissions.

Our recent specific efforts to reduce CO₂ emissions include installing solar power generation panels on the roofs of dozens of stores as part of the operation of an onsite PPA. While doing so at both existing and newly opened stores, we have discovered that it will be difficult to achieve our CO₂ emissions reduction target simply by installing solar panels on the roofs of all our stores. We will not count simply on CO₂ free menu services, but rather will try various other schemes without hesitation, such as an off-site PPA, which features "additionality" (for an effect leading to investment in a new renewable energy facility), and self-consignment of renewable energy, thereby striving to fulfill our social responsibility.



Solar power generation panels installed on a store roof

Meanwhile, our total CO₂ emissions from Scope 3, which

covers all the activities in all the phases of a supply chain, ranging from product procurement to manufacturing, sales, logistics and disposal, mark approximately 1.7 million tons, more than 10 times the emissions from Scope 1 and Scope 2. However, it is difficult for us alone to reduce the emissions from Scope 3. We need to ensure cooperation with various companies, figure out ideas from scratch together with them, and carry out demonstrative experiments promptly in a trial and error manner. While adding value to products with less CO₂ emissions by avoiding unnecessary packaging and using vegetable oil ink, we need to demonstrate ingenuity and make efforts in sales so that such products will appeal to customers. Needless to say, we must refrain from distributing unnecessary sales campaign items or creating unnecessary point of purchase advertising. We also need to work together to improve the accuracy in forecasting the units of sales, avoid unnecessary purchase, reduce returns and disposals, and ensure cooperation between the manufacturing, distribution, and sales functions. It is also important to accelerate our commitment to recycling resources toward reducing waste by, for example, collecting PET bottles and helping them to be recycled into new PET bottles. When meeting with suppliers, we are asking them to work together with us toward reducing the emissions from Scope 3. We are calling on them to engage in mid- and long-term cooperation or figure out ideas while establishing a consortium or other frameworks. Although we have not set a specific path yet, we would like to receive guidance from partners in a wide variety of fields so that we can address environmental problems through out-of-the-box alliances.

Human Asset Strategy

As indicated by the rapid digitalization, the aging population and lower birthrate, the advent of the so-called "100-year life," and changes in workers' views on careers, the environment surrounding companies is changing greatly. Acknowledging employees not as a cost factor but as capital, we believe that human resources grow into key players for creating value. We will make an active investment in our human assets so that we can enhance our corporate value. Based on this approach, we will associate our human asset strategy with our management strategy to promote personnel system reforms, ensure that the right staff members are assigned to the right positions, proceed with health and productivity management, and improve employee engagement.

In the last few years, we worked to establish an environment in which our employees can work vigorously, by renovating our personnel systems for full-time employees and partner employees, extending the mandatory retirement age, revising the retirement benefit programs, and improving the employee benefits. In FY2023, we will further push forward with our personnel system reform to boost our growth. For managers, we will introduce a job-based assessment, in which managers are assessed based on the significance and scope of their roles and the demonstration of their capabilities. In addition, we will also revise the personnel systems for pharmacists and medical office workers. We will make a full review of the regulations and working area categories for prescription dispensing pharmacists and the assessment and payment systems for pharmacists

with specialized expertise. For digital experts and other human resources from special fields, the existing assessment systems cannot be adopted since such experts are required to generate results in different working styles from those of conventional employees. Accordingly, we are now considering detaching the experts from the existing personnel systems.

From now on, we will place our focus on individuals. We will visualize each employee's personality aptitude, skills, qualification levels, assessment results, targets, etc. as personnel data, based on which we will assign the right employees to the right positions to ensure that each individual can fully demonstrate their capability at work. While visualizing personnel data, we will prepare a human asset portfolio in order to visualize how many employees with what types of skills are needed by business units and departments and clarify the gaps between the ideal and the real. Afterwards, we will take measures to close the gaps, such as hiring new employees by other methods than employing new graduates simultaneously, relocating existing employees, obtaining external human resources, establishing alumni networks, and employing experts and specialists even more actively.

Moreover, we will continue to pursue a work environment in which employees, who constitute our most important assets, can continue to work healthily and happily as long as they like. The SUGI Pharmacy Group has been selected as an outstanding entity in terms of health and productivity management for the fourth straight year. However, we cannot boast ourselves yet as the health and productivity management leader among the many companies applying for the selection. Naturally, we need to ensure that all our employees receive a health checkup. We will provide support for employees to quit smoking so that the current percentage of smokers at more than 12% will fall below 10%. We will also make further efforts to increase the percentage of paid leave taken and the percentage of parenting leave taken, establish an environment in which female employees can fully demonstrate their capabilities, and improve employee engagement.



DX Strategy

Our DX strategy originates from our hope to make our customer services even more fulfilling by enhancing our productivity and improving customers' lifetime value. It is safe to say that person-to-person interactions, which cannot be digitalized, through counseling and other customer services represent our strongest point.

To what extent can we present new value by using digital

technology? To what extent can we realize not only the digitalization of operations but also the reforms of organizations, operating processes, and even our corporate culture? By addressing these questions, we will make us even more competitive and establish our superiority. Of particular note is competitive superiority. Various industries are experiencing the phenomenon of new players' grabbing a considerable market share at once and reversing the market by taking full advantage of digital technology. In some industries, there is a shift in purchasing behavior toward EC, accompanied by a shift in companies' focus from physical stores to EC. Companies failing to keep up with this trend have been eliminated from the market.

It will become even more important not only to improve some operations through digitalization but also to enhance customers' lifetime value by utilizing DX for establishing points of contact with customers and ensuring continuous ties. Accordingly, in line with the principle "SUGI Pharmacy on the Palm Anytime and Anywhere" to expand the scope of our points of contact with customers and deepen the impact of the points of contact under our DX strategy, we endeavored to renovate the *SUGI Pharmacy* app in FY2022. As a result, the app can now distribute information on disease prevention and health maintenance, unify management of customer information through ID integration, and provide coupons based on customers' purchase histories, thereby establishing "one-to-one" relationships that are stress-free for customers and increasing the frequency of their purchases and the number of purchased items.

For customer services at physical stores, we will also reinforce digital communication. For example, we will keep a digital record of requests presented by customers and samples provided to customers in the field of cosmetics and use the record for sales promotion on the *SUGI Pharmacy* app. We will also compile a record of counseling services provided by our nationally certified dietitians. In the future, we would like to create a ledger of digital communication with customers to realize unified management of their health condition.

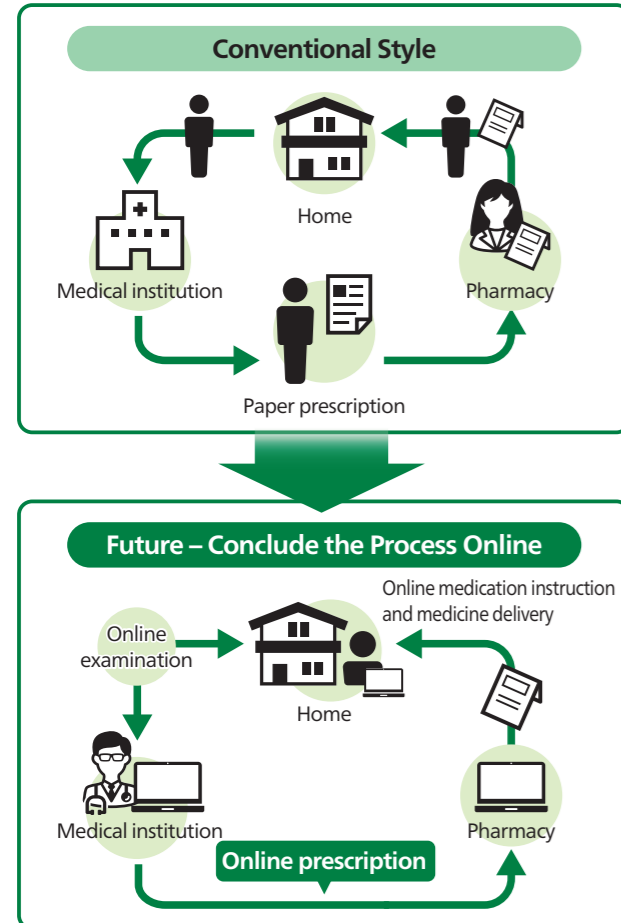
By realizing the concept "SUGI Pharmacy on the Palm Anytime and Anywhere" and digital communication, we can provide customers with opportunities to experience the real and the digital seamlessly. For customer experience through digital tools, the *SUGI Pharmacy* app, boasting 10 million downloads, will play a major role. Presently, the *SUGI Pharmacy* app annually draws a total of approximately 300 million visitors to physical stores. Our future challenges include how our physical stores will handle an explosive increase in needs expected to be induced by the digital. We will proceed with our commitment to digitalization to carefully address an explosive increase in the number of customer service opportunities, take an approach different from a mere extension of our conventional measures, and further raise the quality of services provided at physical stores. We believe that no companies can survive the future if they cannot handle such challenges. Deeply appreciating our fortune to have opportunities to take care of our challenges, we will ensure that FY2023 is a year when each management leader tackles the challenges based on the recognition that they are their own challenges.

Response to Changes in the Field of Prescription Dispensing

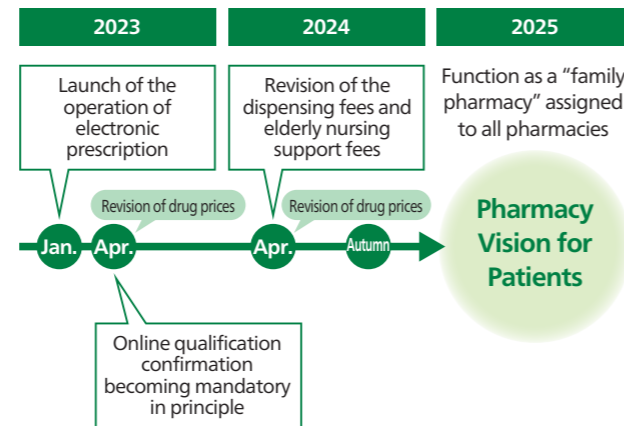
FY2023 will see the launch of the operation of electronic prescription, which is one of the main features of the institutional reform in the field of prescription dispensing. In April, online qualification confirmation will become mandatory in principle. Since these changes are beneficial for all parties, patients, medical institutions, and pharmacies, we are taking full measures, such as establishing the necessary infrastructure and response schemes. Recently, we have completed the introduction of an online qualification confirmation system, which is now in operation at all our stores.

For patients, electronic prescription is beneficial because it enables them to receive medical examination, prescription, and dispensing services based on accurate and real-time information, which will enhance therapeutic effects, avoid trouble caused by polypharmacy or problematic combination of medicine, and reduce unnecessary medicine. For medical institutions and pharmacies, electronic prescription makes it possible to refer to not only recent but also older data accumulated over the past few years by different medical institutions, meaning that medical institutions and pharmacies can respond accurately while ensuring safety for the relevant patients. It is also expected that they can reduce labor for data entry and document filing for storage and save storage space.

Electronic Prescription - Easy to Conclude the Process Online



In other words, electric prescription will lead to improved therapeutic effects, reinforced risk management, and enhanced productivity, ultimately resulting in lower total costs of all medical services. We are addressing data health reform, which will enhance patients' safety and convenience and allow them access to higher-quality medical services, in a well-planned manner. The direction of this policy aligns precisely with the direction of the SUGI Pharmacy Group's Total Healthcare Strategy. We understand that great business opportunities are provided to us as an entity that has set a management strategy and priority issues to underpin a sustainable society. Since the institutional reform is expected to generate great benefits in the field of Japanese medical services, we would like to lead the entire industry in proceeding with the reform.



Led by the national government, the institutional reform is in steady progress in the field of prescription dispensing, which is the main business domain of the SUGI Pharmacy Group, in accordance with the Pharmacy Vision for Patients, presented in 2015. This makes us feel once again that our decision to serve local communities by responding to a multiple number of medical institutions in the communities, rather than depend on specific medical institutions, is correct.

The drug price revision, enacted in April 2022, has not had an insignificant impact on our sales from prescription dispensing. For the revision of the technical fee, we have shifted our focus on operations at pharmacies, from the handling of drugs to communication with customers. We ask individual pharmacists to provide even more support for local patients than they have done so far. Since there is a call to provide home-visit medical care backed by part-



nerships between players from a wide variety of industries, we also need to simultaneously work on strengthening training programs, including those for improving each pharmacist's skills, and enhancing operating efficiency through DX.

The number of prescriptions filled by the SUGI Pharmacy Group has been on a year-on-year rise. To earn trust from many more patients, we are making efforts to reduce the waiting time. By improving our operations, introducing new equipment, and changing our conventional mindset, we are striving to raise our efficiency in every aspect and increase our operating speed. While ensuring the safety of patients, we are taking on the challenge of reducing their waiting time. After taking some measures at one of our large-scale prescription dispensing pharmacies, we found a drastic reduction in the waiting time, leading to an in-

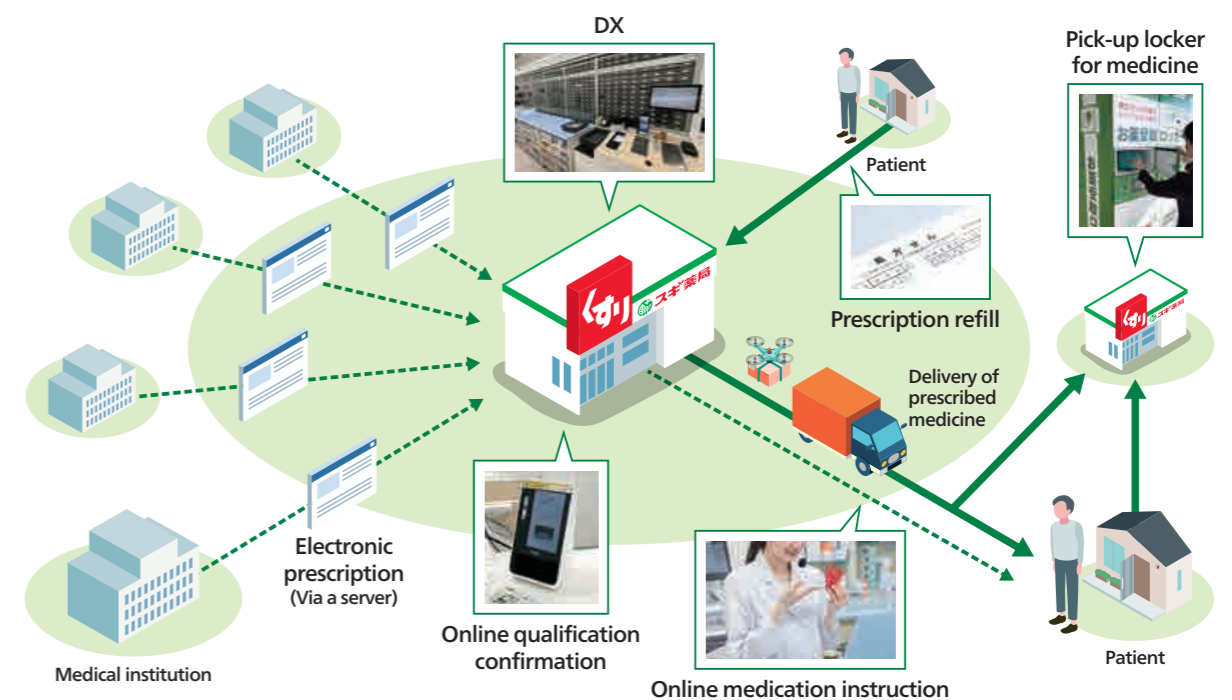
crease in the number of filled prescriptions. We will ensure that these measures are shared with other stores so that we can earn further trust from patients.



Reducing the Waiting Time by Achieving Greater Efficiency through New Equipment and Even Better Operations



New Form of Prescription Dispensing Pharmacies - Conceptual Image



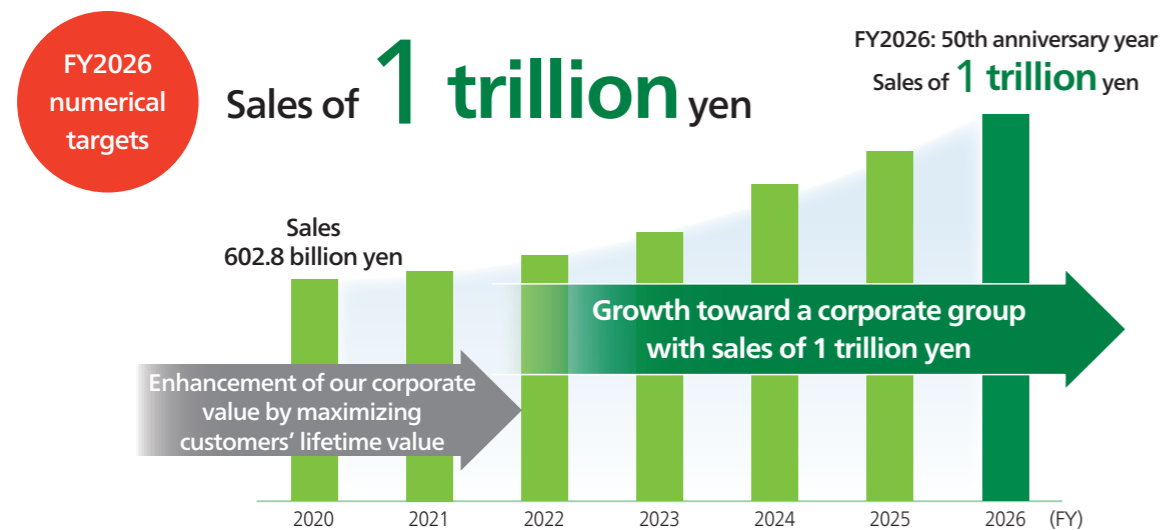
Mid-Term Management Plan

The year 2026 will mark the 50th anniversary of the foundation of SUGI Pharmacy. Backcasting from the ideal future that we need to achieve by the memorial year, we have formulated a mid-term plan. Starting from FY2022, the plan consists of a part for the first two years and that for the second three years.

The first two years are for consolidating the foundation for further growth, while the second three years are for growing into a corporate group with sales of 1 trillion yen, with our FY2026 sales target set at 1 trillion yen.

The mid-term plan consists of a “growth strategy” and the “reinforcement of the management foundation.” The growth strategy features the three themes of “Deepen operations in the field of health care,” “Change customer experience through DX,” and “Expand cooperation and co-creation efforts.” For each theme, we have set the direction that we should take from now.

The reinforcement of the management foundation has the three themes of “Data-based management,” “Cost structure reform,” “HR and institutional development,” each of which has been reflected in the strategy to be implemented by the director in charge. There is only a year left for completing the consolidation of the foundation



Mid-Term Management Plan with the Final Year Set on FY2026 (Fiscal Year Ending in February 2027)

Growth strategy	Deepen operations in the field of health care	<ul style="list-style-type: none"> Set up stores with a focus on health care (store areas, store types, alliance with medical institutions) Maximize synergy between merchandising and prescription dispensing Establish a SUGI Pharmacy-version of comprehensive community care model
	Change customer experience through DX	<ul style="list-style-type: none"> Evolve customer experience through digital technology Develop one-to-one marketing Enhance digital membership and increase the percentage of use of prescription dispensing services
	Expand cooperation and co-creation efforts	<ul style="list-style-type: none"> Optimize SCM* and develop products and categories by establishing information linkage between the manufacturing, distribution and sales sectors Establish healthcare networks both at home and abroad
Reinforcement of the management foundation	Data-based management	<ul style="list-style-type: none"> Make the organizations and operations even more effective
	Cost structure reform	<ul style="list-style-type: none"> Set up stores with high investment efficiency, and renovate existing stores
	HR and institutional development	<ul style="list-style-type: none"> Develop organizations and human resources toward the next generation

*SCM: supply chain management

for further growth. All our organizations will join together toward completing the consolidation by the end of the year.

Management with Awareness of Capital Cost and Stock Price

After accurately quantifying our capital cost, we formulate management strategies and plans in view of our management philosophy and changes in the external environment, and we disclose their overviews. As for the formulated management strategies and plans, we annually check and analyze the progress, review the business portfolio, and revise the management resource allocation plans, including those for investment in new business, new store establishment, systems, and HR training.

While ensuring financial soundness, we will raise shareholder value by increasing ROE on a mid- and long-term basis, returning value to shareholders on a continuous and stable basis, and making investment for further growth. Setting ROE as an important index for creating sustainable shareholder value, we will strive to always improve productivity, total asset turnover ratio, etc. and raise ROE continuously on a mid- and long-term basis.

Significance of FY2023

To conclude the consolidation of the foundation for further growth, how should we behave now? What should we follow as a guiding principle? What should we place an emphasis on this fiscal year?

“Focus on Each Individual”

At the information session on our FY2023 policy, I presented this simple, concise phrase to our employees to show them our ideal vision for this year in view of our situation and future strategy. We are now fortunate enough to earn trust from many customers and patients, but we would like to continue to value our philosophy of “focusing on each customer in front of our eyes” as what we must never forget. Today, we operate on a larger scale and in a wider range of fields than before in the age of the rapid progress of DX. All the more for this, we look back to the basics and keenly realize the importance of “focusing on each single customer and patient.”

The second point regarding the importance of “focusing on each individual” concerns the use of the digital. In FY2023, the renovated *SUGI Pharmacy* app will enable us to respond to “each individual” among our customers and patients, the annual number of whom totals more than 300 million. For example, our sales

promotional team is now rallying all its forces for analyzing various data in order to break down customers into subcategories. If we continue to subdivide such subcategories, we can ultimately obtain data analysis for “each individual” customer and patient. This approach will also work for prescription dispensing patients. We can learn more about individual customers by analyzing data on prescription dispensing, such as antipyretic drugs for colds, therapeutic drugs for diabetes, anticancer agents, and in-home patient services.

If we make a full use of various data and place the “focus on each individual” customer and patient, we can provide services well-tuned for that individual.

The third point is our focus on employees. One of our strengths resides in our differential advantages backed by our human resources. We will place our focus on each individual employee who practices our philosophy and respects each individual customer and patient. This year, we will visualize each employee’s skills, capability, motivation, and future growth possibility and make a full launch of individual training programs so that our pharmacists, medical office workers, registered pharmaceutical distributors, nationally certified dietitians, beauty advisers, and nurses can place their focus on individual customers and patients and obtain the necessary skills. In addition, to allow experts in various fields, such as sustainability, DX, and overseas affairs, as well as attorneys and buyers, to be committed to even more highly specialized assignments, we will review the human resources system and establish an environment in which they can try further challenging work. We will, thus, place our focus on employees this year.

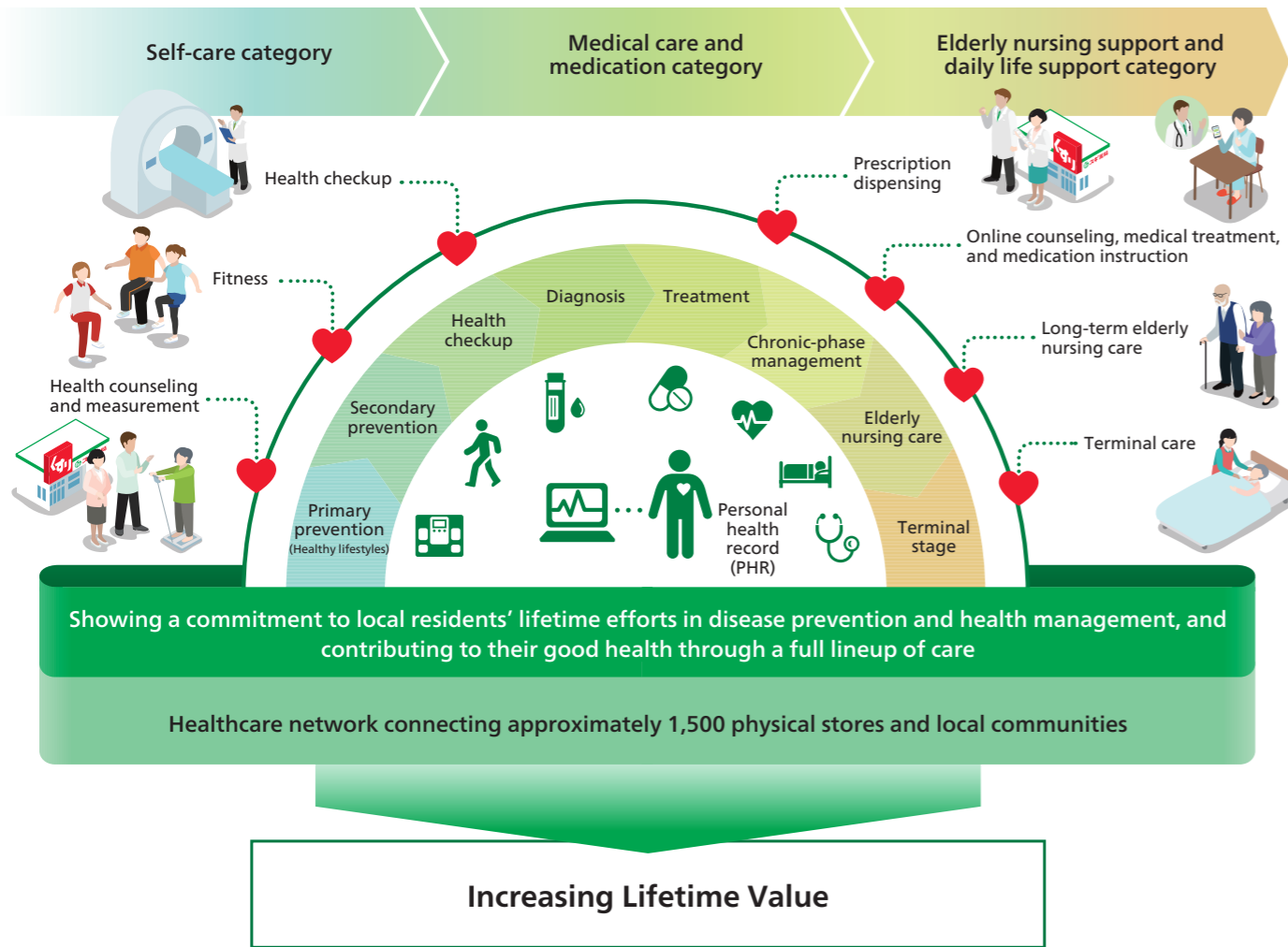


Ideal Vision

Total Healthcare Strategy through Integration of the Real and the Digital

Contribute to Local Communities through Total Health Support, Ranging from Self-Care to Medical Care, Medication, Elderly Nursing Support, and Daily Life Support

In the Total Healthcare Strategy, people's lives, from birth until the end of their life, are divided roughly into 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.

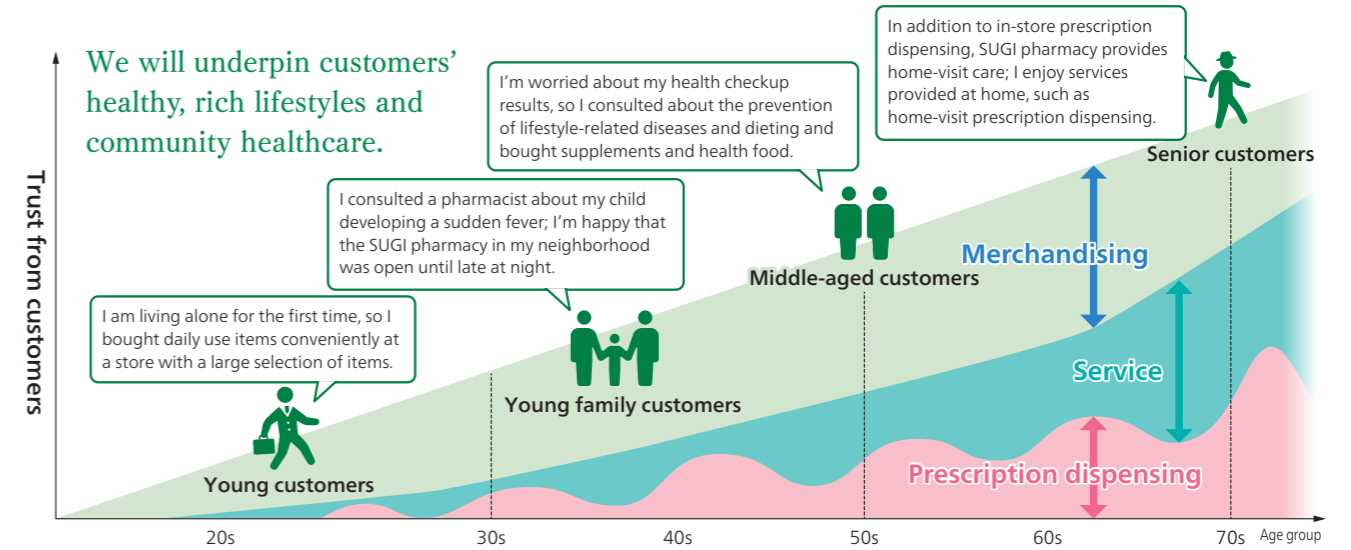


Characteristic Initiatives for Implementing the Total Healthcare Strategy

- Strategic dominance of setting up new branches around key stores** (Illustrated with pharmacy store icons)
- Increasing regional shares by opening stores aggressively, and making our stores even more competitive** (Illustrated with a pharmacy store icon)
- Strategic partnership** (Illustrated with a handshake icon)

Increasing Lifetime Value

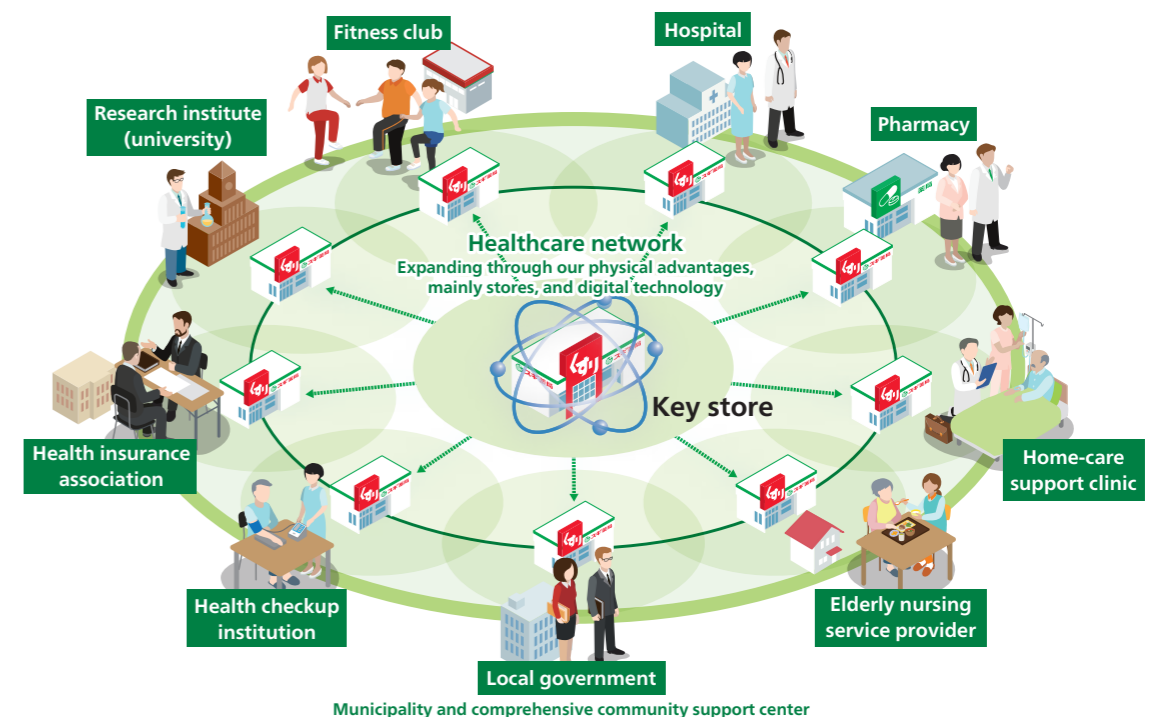
We provide support tailored to the health stage of each customer, from primary prevention and secondary prevention to medical treatment, elderly nursing care and terminal care, thereby establishing a lifelong relationship of trust and underpinning their healthy, rich lifestyles and community healthcare.



Expansion of needs in the healthcare category – responding to healthcare needs and daily life support needs -

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.



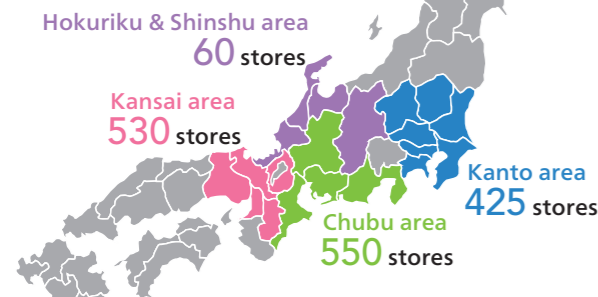
*Our key stores fulfill the enhanced function of health support expected to be provided by drugstores. The stores feature a self-service space for customers to take health measurements while providing a wide variety of services related to health care. They also have a community space where events organized by nationally certified dietitians and other experts take place on a regular basis.

Increasing Regional Shares by Opening Stores Aggressively, and Making Our Stores Even More Competitive

No. of Stores by the Area

No. of stores *As of the end of February 2023

1,565 stores in total



We are pushing forward with strategic dominance in the Kanto, Chubu, Kansai and Hokuriku regions. As of the end of FY2022, we had established 1,565 stores in total, featuring industry-leading regional market shares in the Chubu and Kansai regions.

Many of the stores are prescription dispensing drugstores in suburban areas with an excellent lineup of health and beauty items. However, we have recently been proactively promoting the establishment of stores focused on foods with enhanced convenience for consumers, stores in urban areas focused on beauty items, pharmacies located on the premises of medical institutions, and stores featuring medical institutions.

Increasing Customer Convenience and Satisfaction by Renovating Stores and Improving the Product Lineup

Renovation of Stores to Enlarge Their Dispensing Rooms and Waiting Rooms

Our store renovation has led to the improvement in the waiting environment for patients and the working environment for pharmacists and medical office workers.



Establishing an environment in which customers with children can visit the stores without any hesitation

Renovation of Salesfloors and Improvement of the Product Lineup to Accommodate Inbound Demand

By analyzing our duty-free sales data, we have realized salesfloors that can accommodate inbound demand.



Introduction and Enlargement of Perishable Food and Meat Corners in Cooperation with Concessionary Chain Operators

Not only are we reinforcing the lineup of frozen foods by installing many more freezers and refrigerators, but we are also cooperating with concessionary chain operators in order to address customers' one-stop needs.



No. of stores whose dispensing rooms and waiting rooms were renovated (FY2022)

123 stores

[Theme] Self-Improvement: Discover Further Beauty in Yourself



COSME CARAT Omote-Sando Harajuku Store

Sales corner of products from a brand introduced in Japan for the first time

Challenge of Developing Stores Specializing in Beauty Items

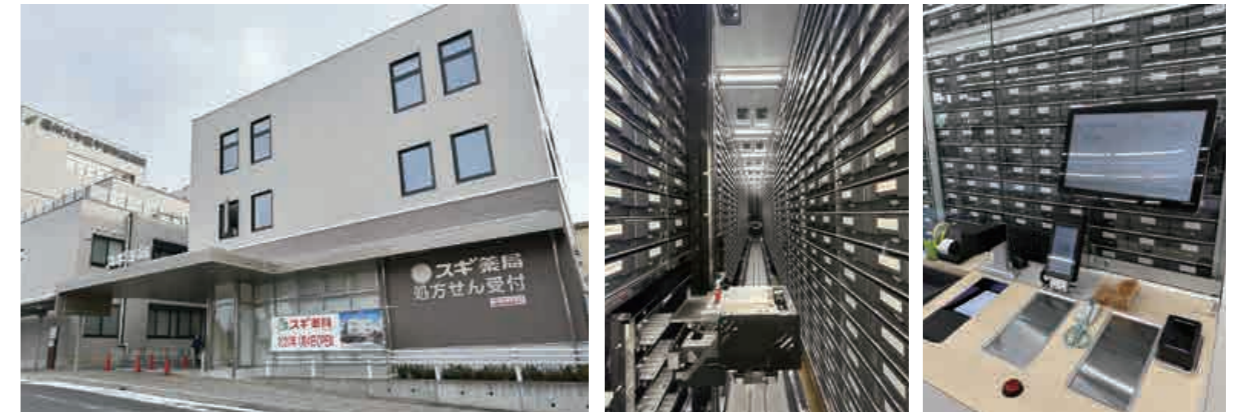
We have established the first store specializing in beauty items as a new business model. The store handles products from a brand introduced in Japan for the first time and has introduced a special app. In addition, the store actively disseminates information through Instagram while ensuring photo spots in expectation that customers themselves will serve as information disseminators. Moreover, the store strives to catch inbound demand in order to contribute to an increase in the sales of duty-free items.

High-Profile Stores Established in FY2022

Advanced Medical Care Supported by Pharmacies Located on the Premises of Medical Institutions

Our pharmacies located on the premises of medical institutions are reinforcing support for advanced medical care as an important base connecting core hospitals and local stores.

Shinshu University Store



Increasing the productivity and reducing the waiting time by introducing cutting-edge equipment



(Left and middle) A pharmacist and a nationally certified dietitian serving each customer courteously and politely
(Right) Waiting time reduced due to a trial introduction of self-checkout machines for prescription dispensing

Support for the Commencement of Medical Practice

If a medical institution is housed in a drugstore, the institution can benefit from the drugstore's ability to attract many customers. To ensure that medical institutions can enjoy such benefit, we provide support for the commencement of medical practices. We will develop our commitment to such support into one of our main business mainstays, thereby striving to underpin local citizens' daily lives and health. In FY2022, we assigned full-time consultants for supporting the commencement of medical practices not only to Kanto, Kansai, and Chubu but also to Hokuriku and Nagano Prefecture, which are our priority areas for setting up new drugstores. We have provided support so far in approximately 140 cases. Meanwhile, we have opened a total of seven medical malls. In the future, we will work together with those who wish to hand down their businesses to the next generation, house manufacturers, and other partners toward establishing many more medical malls so that we can underpin community healthcare.

Support for the Commencement of Medical Practices
Approx. **140** cases



Atsumi Hospital Store





Domestic and Overseas Partners

In the SUGI Pharmacy Group, we work with companies featuring high-level expertise and advantages to realize mutual cooperation and joint creation, thereby promptly and organically connecting physical and digital contact points with customers. We are proceeding with the Total Healthcare Strategy, designed to contribute to improving local residents' health through our commitment to their lifetime efforts toward disease prevention and health management.

FY2022 New Partners



ALPRO PHARMACY SDN. BHD

Business alliance concluded in July 2022

<https://www.alpropharmacy.com/>

Supply of Products in Malaysia and Creation of Social Value in Asia

ALPRO PHARMACY SDN. BHD operates the pharmacy chain ALPRO PHARMACY, consisting of more than 190 stores in Malaysia. Based on the management philosophy of improving local communities by providing specialized healthcare products, services and advice, the company was established in 2002. Since then, the company has provided not only medical and pharmaceutical products (prescription dispensing/OTC), health foods, elderly nursing support items, and other healthcare items, but also physiotherapy, rehabilitation services, and primary healthcare for diabetics, leading the company to establish its own position in the Malaysian pharmacy market.

According to ALPRO PHARMACY's next five-year mid-term plan, they will accelerate the establishment of new stores in Malaysia and the expansion of their business into neighboring countries in Southeast Asia. By further reinforcing their commitment to EC, digital services, and an online-to-offline (O2O) model, they are striving to establish a framework for providing even more support for local customers' health.

This alliance expedites the evolution of the two parties. In the SUGI Pharmacy Group, we provide ALPRO PHARMACY with our total healthcare business model, as well as some of our products and trademarks. In addition, both parties share each other's management know-how. This will enable both parties to further proceed with their business development. For a smooth implementation of the alliance, we plan to have HR interaction after consultation with ALPRO PHARMACY.



Great Tree Pharmacy Co., Ltd.

Business alliance concluded in November 2020

Capital alliance concluded in September 2022

<https://www.greattree.com.tw>



Providing approximately 1,500 SKU products through EC to customers in Taiwan

Acceleration of Our Efforts to Set up Stores in Taiwan and the Creation of Social Value in Asia

Great Tree Pharmacy Co., Ltd. is a drugstore chain operator running approximately 260 stores in Taiwan. In the SUGI Pharmacy Group, we provide the company with our total healthcare business model, as well as some of our products and trademarks. In addition, both parties share each other's management know-how. This will enable both parties to further proceed with their business development and create new value in Asia.

Initiatives in FY2022

We established sales corners for SUGI Pharmacy (for Japanese products) in stores of Great Tree Pharmacy in Taiwan, with which we concluded a business alliance in FY2020. As a result of extensive exposure of the SUGI brand, the profile of the sales corners for SUGI Pharmacy increased, attracting many more repeat customers.

In addition, we developed a flagship drugstore featuring a Japanese style different from the existing stores of Great Tree Pharmacy. We also sold our in-house development products as part of the joint development of EC business targeting consumers in Taiwan. By doing so, we further strengthened our efforts to sell products throughout Taiwan.

Investment in Great Tree Pharmacy in Taiwan

In FY2022, we invested in Great Tree Pharmacy and upgraded our partnership from a business alliance to a capital and business alliance. As a strategic partner, we have so far provided Great Tree Pharmacy with Japanese products, mainly healthcare items. In addition, both parties have shared each other's management know-how by sending employees on a temporary basis and worked together for evolving into global companies. Moreover, both parties have aimed for mutual growth by reinforcing their drugstore operations through joint business development backed by the integrated capabilities of the SUGI Pharmacy Group. Our investment in Great Tree Pharmacy will further consolidate the relationship and alliance between the two parties. We would like to take this opportunity to proceed with our business development in Taiwan even more efficiently and powerfully and create new value not only in terms of economy but also in terms of society in Asia.



Omicare Joint Stock Company

Business alliance concluded in July 2021

<https://omicare.vn/loi-chao-tu-ceo>

Support for Preventive Care and Health and Productivity Management in Vietnam

Omicare Joint Stock Company operates Omi Pharma, a drugstore with a pharmacy function, and an EC business in Vietnam. In the SUGI Pharmacy Group, we provide the company with our business model, as well as some of our products and trademarks. In addition, both parties share each other's management know-how and have HR interaction. In so doing, both parties strive to reinforce the function as a base for offering healthcare counseling and disseminating related information and establish a framework to support preventive care and health and productivity management in Vietnam.

Initiatives in FY2022

We provide our know-how and products to stores of Omi Pharma. In FY2022, we developed stores in which an atmosphere of Japanese-style drugstores was strongly felt, leading to an active expansion of sales channels not only in the conventional Vietnamese market, where Omi Pharma makes a strong showing, but also in a trend-conscious customer market. As a result of this positive effect, our in-house development products have been actively introduced to retailing stores other than Omi Pharma.



FY2022 New Partners

Sakura Pharmacy Group

KRAFT Inc.
Sakura Pharmacy Inc.
Business alliance concluded in March 2023

Expansion of Networks of Experts and Information

Operating more than 850 prescription dispensing pharmacies nationwide, the Sakura Pharmacy Group focuses on home-visit healthcare. By introducing a prescription dispensing system, they are actively improving the quality and efficiency of pharmacists' operations. They are also striving to support advanced pharmacotherapy by training board-certified pharmacists in their specialty. Moreover, they are also focusing on a shift to DX, as indicated by their providing the official app *Health and Medication Record Notebook* and accepting electronic prescriptions for the first time in Japan. The alliance between the Sakura Pharmacy Group and the SUGI Pharmacy Group will evolve the efforts and business developments by the two parties.

Inagora

Inagora Holdings Co., Ltd.
Capital and business alliance concluded in January 2020
<https://www.inagora.com>

Approach to Customers in China through a Cross-border EC App

Inagora Holdings Co., Ltd. operates *Wando*, an EC app for inbound and cross-border business specializing in Japanese products. We gain from the company its expertise on Chinese consumers' needs and consumption behavior, as well as its marketing know-how. At the same time, through *Wando*, we sell to trend-sensitive consumers in China various products, mainly those privately developed by the SUGI Pharmacy Group.

Initiatives in FY2022

In FY2022, we continuously reinforced the promotion of our in-house development products through various social media, leading to increases in online reviews and followers.

We also collaborated with popular influencers for product development, introduced such products on social media, and sold them on the cross-border EC platform. As shown by the development of beauty essence, of which 10,000 units were sold out in a short period of time, such collaboration resulted in a great achievement.

A total of more than 150 SKUs of our in-house development products have been adopted as standard items for the Chinese cross-border EC platform, showing a sales expansion of our in-house development products in an overseas market.



scroll

Scroll Corporation
Business alliance concluded in February 2022
<https://www.scroll.jp/>

Expansion of Sales Channels through Catalogue Mail-Order and EC

Scroll Corporation operates based on the catalogue mail-order know-how that the company has long accumulated as a mail-order business. In the EC market, the company focuses on the B-to-C model, wherein it sells individual customers a rich lineup of products, including items privately developed by its group companies. In line with this alliance, the company and the SUGI Pharmacy Group will share a wide variety of products and distinctive know-how on mail-order business, thereby striving to contribute to local communities.

Initiatives in FY2022

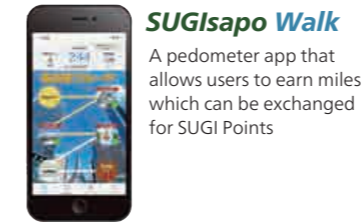
In FY2022, we began to provide products through Scroll Corporation to members of CO-OP DELI Consumers' Co-operative Union and Tokai CO-OP Consumers' Co-operative Union.

By increasing the percentage of our in-house development products posted on product catalogues, we will strive to deliver even more economical, higher quality products to many more CO-OP members.



MedPeer

MedPeer Inc.
Capital and business alliance concluded in March 2018
<https://medpeer.co.jp>



SUGIsapo Walk

A pedometer app that allows users to earn miles which can be exchanged for SUGI Points



SUGI Smartphone Medicine Service App

Electronic medication record notebook in which the holder's "family pharmacy" can be registered



- Reducing the waiting time by sending a prescription in advance
- Consulting with a pharmacist through the chatting function

Joint Development of SUGIsapo App, Enabling Users to Continue Healthy Habits

MedPeer Inc. runs an online doctor community site, in which 150,000 doctors are registered, and develops an online medical business and preventive care business, using IT. Together with the company, we operate *SUGIsapo Walk* as a joint project in the selfcare business. By taking advantage of the app, we will continue to effectively provide services well-tuned to each customer's lifestyle and health problems.

Initiatives in FY2022

SUGI Pharmacy and AstraZeneca implemented a verification program for potential chronic obstructive pulmonary disease (COPD) patients and their families to encourage an early medical examination, using the pedometer app *SUGIsapo Walk*.

Featuring a virtual walk rally, the program gave participants quizzes and information that would raise their awareness of the disease and lead them to change their behaviors. By doing so, the program encouraged COPD patients to receive an early medical examination.

In FY2022, we adopted an OEM for the conventional *Family Pharmacy* app and renovated the app to make it even more convenient by expanding its functions in accordance with customer needs.

PREVENT

PREVENT Inc.
Business alliance concluded in June 2020
<https://prevent.co.jp>

Expansion of the Support Business for Preventing the Aggravation of Lifestyle-related Diseases

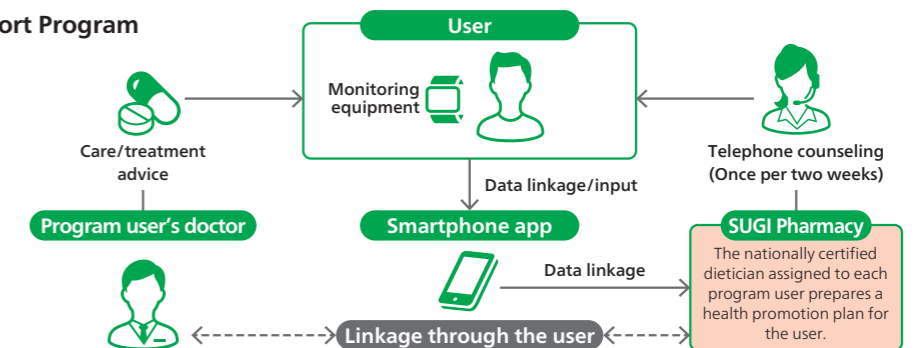
PREVENT Inc. provides health insurance associations with a program for preventing lifestyle-related diseases from becoming serious in cooperation with doctors. In our joint project with this company, we will strive to expand the support business for preventing the aggravation of lifestyle-related diseases through the use of SUGI Pharmacy's nationally certified dieticians and the introduction of each other's business partners. This alliance enables us to provide a full line of support, ranging from disease prevention to treatment.

Initiatives in FY2022

Using a program provided by PREVENT Inc., we are striving to prevent the aggravation of customers' diseases. In the six-month program, the nationally certified dietician assigned to each program user prepares a health promotion plan for the user. While ensuring cooperation with the user's doctor, the dietician provides individual guidance for health promotion, using monitoring equipment.

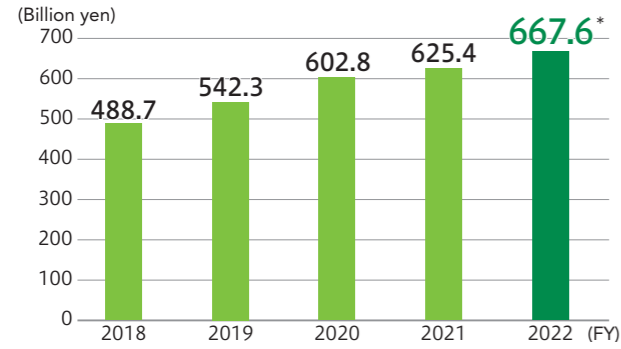
Full Picture of Mystar, Support Program to Improve Lifestyles

Six-month program in which specialized staff provide program users with individual guidance for health promotion in cooperation with their doctors, using monitoring equipment



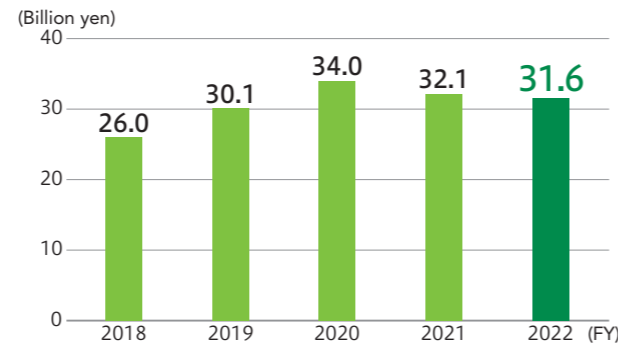
Financial/Non-financial Highlights

Financial index Net sales

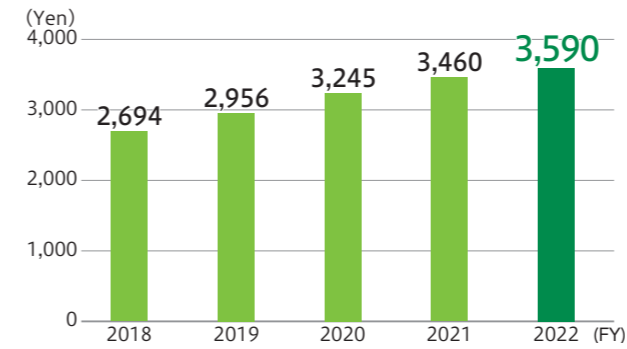


*The Accounting Standards for Revenue Recognition (Corporate Accounting Standards No. 28, March 31, 2020) have been in place for our accounting since the beginning of the consolidated fiscal year 2023. The figures for FY2022 have been revised based on the accounting standards.

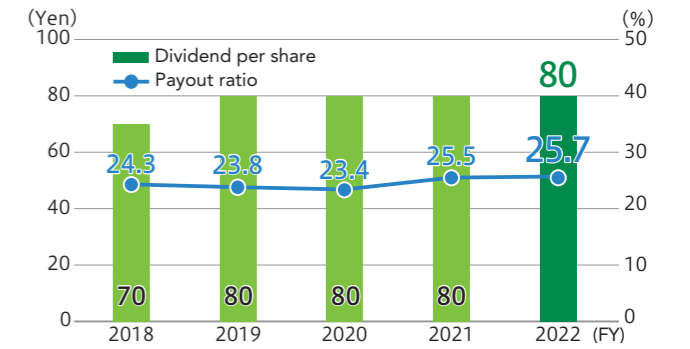
Financial index Operating income



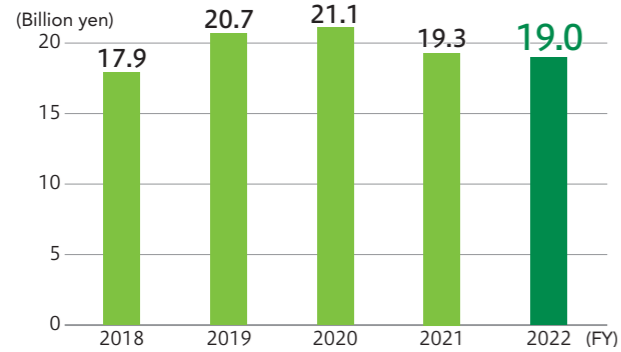
Financial index Net assets per share



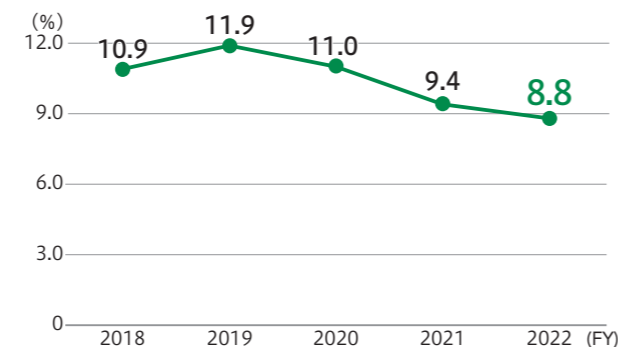
Financial index Dividend per share/Payout ratio



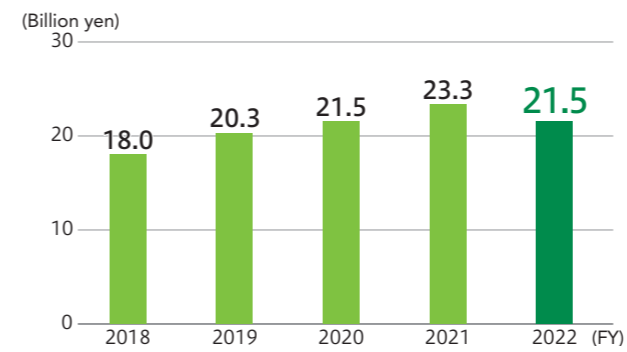
Financial index Profit attributable to owners of parent



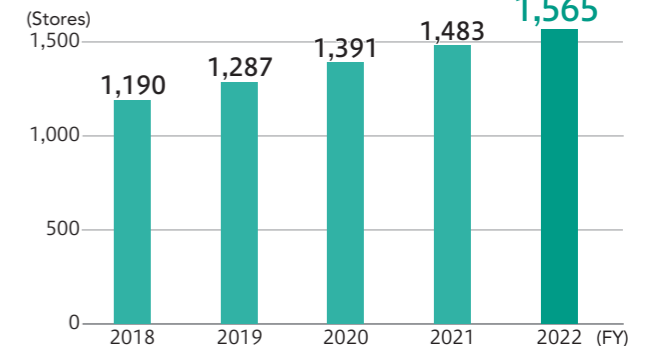
Financial index ROE



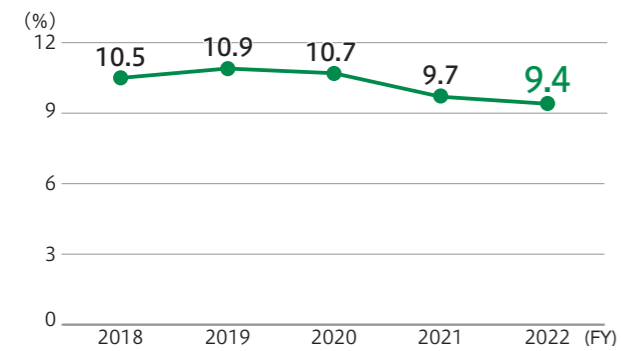
Financial index Capital investment



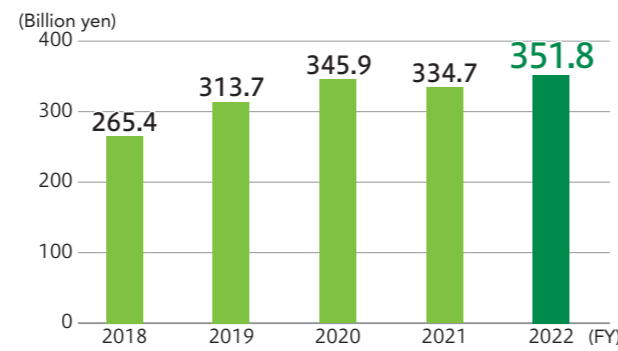
Non-financial index Number of stores



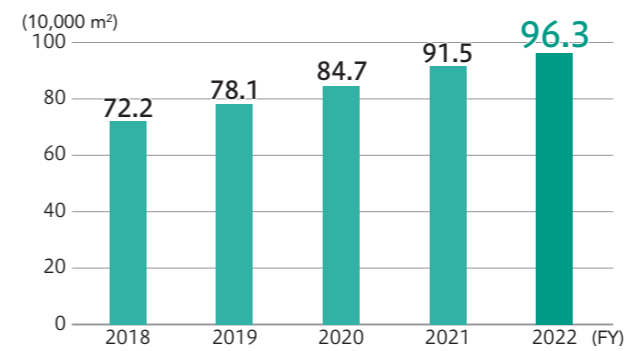
Financial index ROA



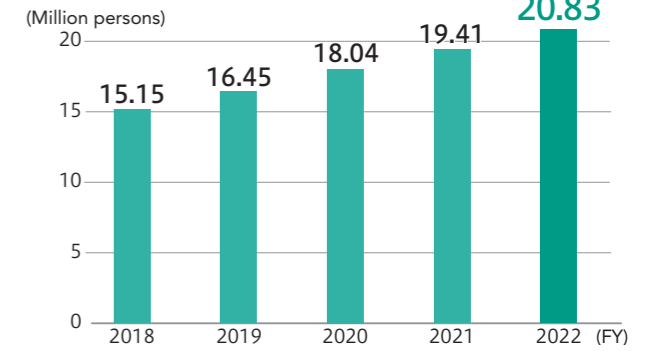
Financial index Total assets



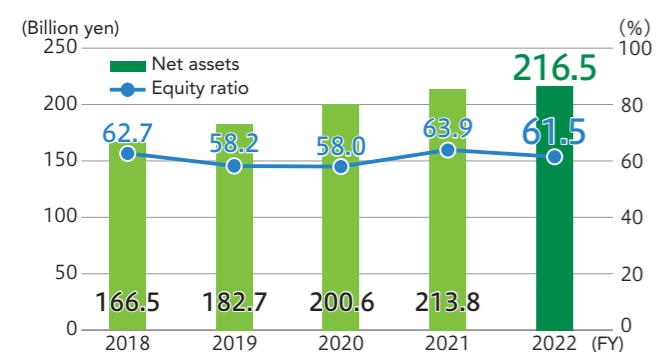
Non-financial index Year-end total square meters of sales floor



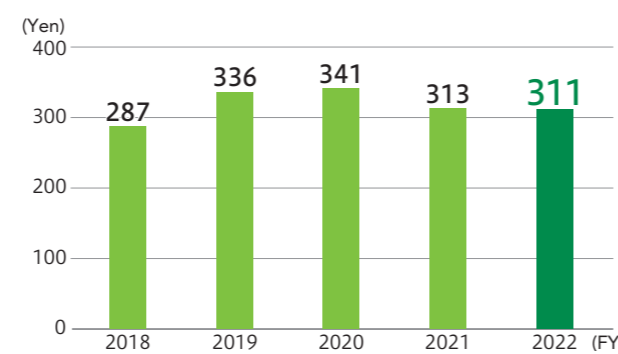
Non-financial index Number of point members



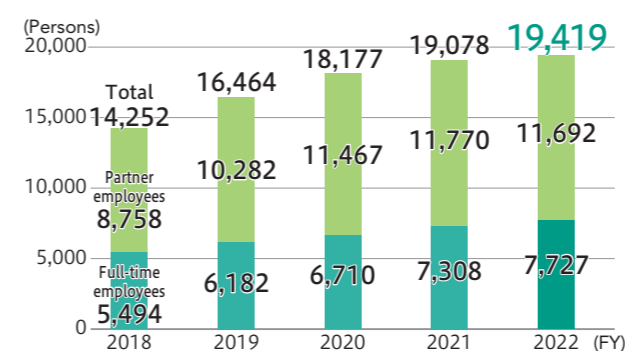
Financial index Net assets/Equity ratio



Financial index Net income per share

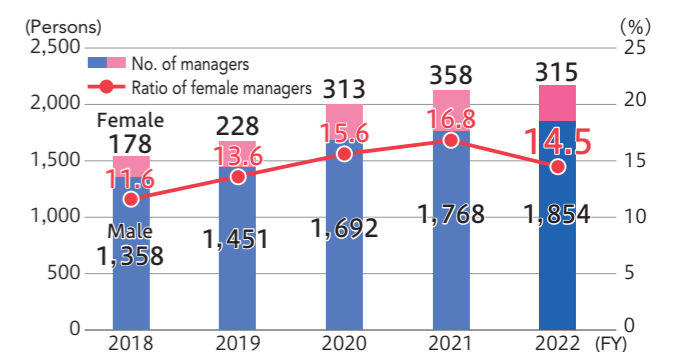


Non-financial index Number of employees



*Number of partner employees converted into the number of 8-hour workers

Non-financial index No. of managers/Ratio of female managers



Dedication and Behavior based on
“Respect for Each Customer
in Front of Our Eyes”
– Source of the SUGI
Pharmacy Group’s
Management Philosophy



Eiichi Sakakibara

Representative Director &
Chairperson
SUGI Holdings Co., Ltd.
Representative Director &
Chairperson, Sugi Pharmacy Co., Ltd.

FY2022 was the second year of the scheme where President Katsunori Sugiura and I worked closely together while rallying all the forces from the SUGI Pharmacy Group, including inside and outside directors and auditors.

Today, we are in a period of upheaval, when there are calls for new reforms to break down conventional stereotypes and notions, as well as for speed in implementing such reforms. All the more for this, it is important to become further aware of our “contribution to local communities” as our *raison d’être*. Guided by the management philosophy, it is also important to always return to the basics when making decisions and taking action. Continuing to share this importance with all 35,000 employees and improve their decisions and action constitutes the largest part of my assignments today.

Immutability and Fluidity: Our Tenet Embraced since Our Establishment
Continuous Fluidity as the Essence of Immutability
Our Evolution Means Our Respect for Each Customer

In the field of business, “immutability and fluidity” is adopted as a universal concept and actually forms the cornerstone of our management philosophy. At each of the many turning points we have encountered since our establishment, we have made management decisions from the aspects of “eternal invariability” and “change in pace with the times.” To respond to great changes in the external environment, our departments and business operations are evolving very quickly and extensively. On the other hand, we are not allowed to leave the importance of “immutability” behind as a result of an unreasonable pursuit of “fluidity.” We need to keep the best balance between “immutability” and “fluidity” so that we can develop into a corporate group that will last from generation to generation.

Commitment to Reinforcing Communication

It is very challenging to continue doing what is supposed to be done as a matter of course, and this has been a major challenge for the SUGI Pharmacy Group for many years. To tackle this problem, we will further emphasize the reinforcement of communication so that we can place a “focus on each individual.”

Everything that we do begins with our commitment to “each individual,” as indicated by the “Respect for Each Customer in Front of Our Eyes,” the basic view that we have upheld since our establishment, and also by “Hoping for the happiness of each employee, Hoping for the happiness of each customer,” declared in our management philosophy.

We will further reinforce communication in order to ensure that various values, strategies, and policies and all the other information, including organizations and individuals’ views and feelings, are conveyed and understood accurately so that the information will result in proper behaviors that will lead to respect for customers and patients.

Commitment to Strengthening Governance to Develop into a Sustainable Company

In addition to the penetration of the management philosophy, the pursuit of immutability, and the reinforcement of communication, the reinforcement of governance is another major part of my responsibilities.

To make a sustainable contribution to local communities and society, we need to identify management risks from a super-long-term perspective, reinforce our governance framework, and consolidate the foundation for long-term growth. We have appointed external directors for monitoring purposes, reinforced the Internal Audit Department, and ensured flexibility backed by respect for diversity, thereby striving to address a wide variety of priority issues that we have set, including climate change, through the cooperation of all members of the SUGI Pharmacy Group and to establish a framework whereby we can respond to any type of change.

In the SUGI Pharmacy Group, we intend to provide information and services tailored for each customer and patient based on the important information given by them. To that end, we will take full measures, including training programs, for information security management.

In accordance with our management philosophy, we will continue to explore how to constantly present value to customers and society and take on challenges so that we can create a future toward the 50th anniversary, which we will celebrate shortly, and even toward the 100th anniversary.

Address Customers and Patients' Anxieties and Worries at the Front Line in Local Communities and Support Their Safe and Healthy Daily Lives regardless of the Situation in Society



Shinya Sugiura
Representative Director and Senior Vice President
SUGI Holdings Co., Ltd.
Representative Director and Senior Vice President, Sugi Pharmacy Co., Ltd.

Merchandising

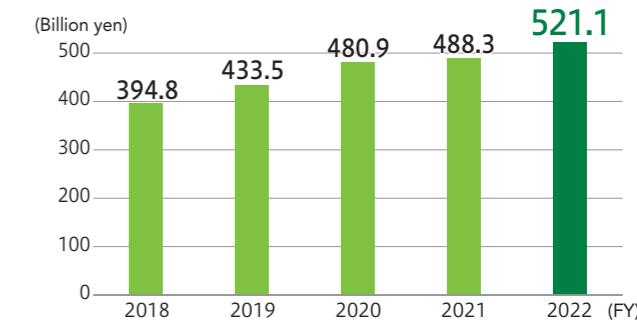
In FY2022, to accommodate local customers' needs, we renovated sales floors to reflect local characteristics and accelerated various sales promotion schemes and other measures to increase the number of items purchased by each customer. To strengthen our measures to fill customers' one-stop needs, we installed many more freezing or cooling showcases at stores so that we could handle many more frozen foods and ensured that many more stores carried perishable foods. In addition, we established the Urban Sales Supervision Department to review our product lineup and shelf layout in anticipation for a recovery of the inbound demand, thereby building a structure enabling us to accommodate customer needs even more flexibly.

We also renovated the *SUGI Pharmacy* app, boasting 10 million downloads, to expand the digital membership and provide coupons tailored for individual customers, such as



Renovated sales floor with a richer product lineup to prepare for a recovery of the inbound demand

Sales (Merchandizing of Sugi Pharmacy Co., Ltd.)



discount coupons and additional point coupons. By doing so, we aimed to increase the level of customer satisfaction, the number of items purchased by each customer, and per-customer spending.

At the same time, we strived to increase our productivity. We endeavored to reduce the store workload by expanding the scope of automated ordering, renovating the deadline management system, and introducing digital tools for in-house communication. We also strived to optimize working hours by reviewing our staff assignment. In addition, we aimed to optimize our inventory and reduce returns and disposals by reinforcing our efforts under the lead of the new organization performing an inventory distribution function. As a result, we recorded net sales of 521.1 billion yen (106.7% of the previous fiscal year's level) amidst the severe market environment.

Prescription Dispensing

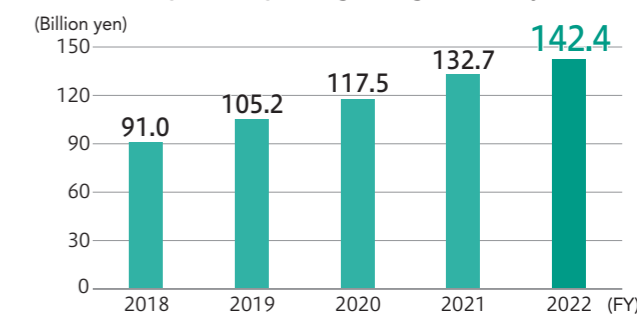
While setting up new pharmacies and forming new alliances with medical institutions to expand our operations in the field of prescription dispensing, we renovated some stores to enlarge their dispensing rooms or waiting rooms and invigorated existing stores. This led to the improvement of both the waiting environment for patients and the working environment for pharmacists and medical office workers. In addition, the number of prescriptions filled at the renovated stores remarkably increased.

To boost the percentage of use of our prescription dispensing service among those who have purchased our products, we increased the profile of the service and encouraged them to download our *Family Pharmacy* app. Moreover, we reinforced in-store staff cooperation between the merchandising and prescription dispensing sectors so that communication with and counseling



Drug Station, automated medicine picking equipment, introduced to increase customers' safety, improve our productivity, and reduce the waiting time

Sales (Prescription Dispensing of Sugi Pharmacy Co., Ltd.)



for customers, from which the history of the SUGI Pharmacy Group began, and other services could be fully offered. We also proceeded with the automation of operations by introducing dispensing machinery to enable pharmacists to concentrate on communication with patients and medical institutes, which is a primary role of pharmacists. Such machinery includes automated medicine picking equipment, full-automated tablet packing equipment, automated ointment mixers, and a one-dose packing checking system.

We also began to establish a store network to handle electronic prescriptions, whose operation was launched in January 2023. We ensured total optimization by assigning medical office workers and realizing the optimum staff assignment for each store. As a result, we filled 12.91 million prescriptions (110.1% of the previous fiscal year's level), with sales in prescription dispensing services reaching 142.4 billion yen (107.3% of the previous year's level).

Consolidation of the Value Creation Foundation Commitment to Issues of Materiality

- 53 Priority Issues (Issues of Materiality) for Proceeding with Sustainability Management
- 55 Five Themes and Priority Issues (Issues of Materiality)
- 57 Healthy Community
- 67 Sustainable Business Partnerships
- 73 Contribution to the Global Environment
- 81 Healthy Workplace Environment
- 91 Corporate Governance



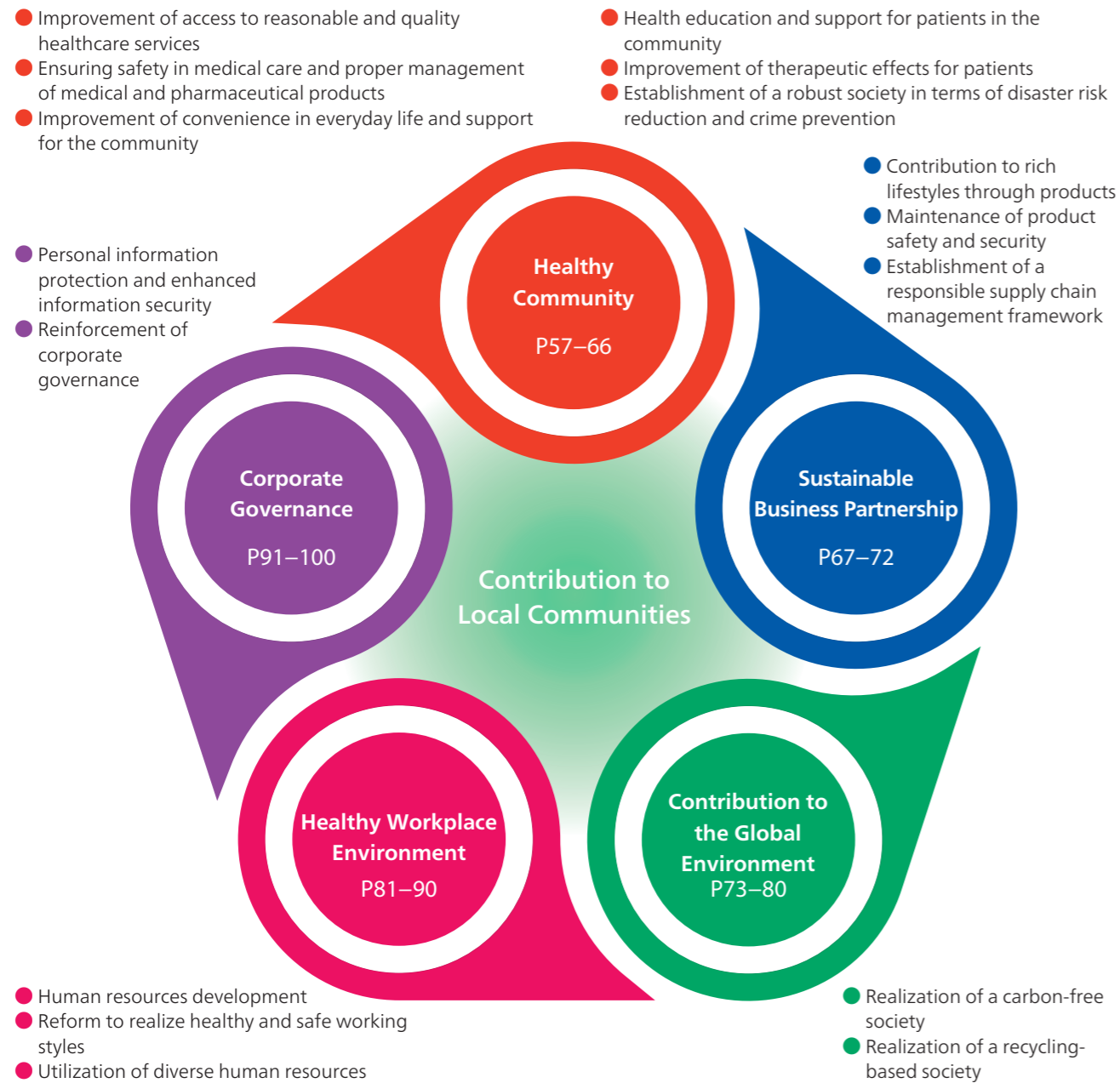
Priority Issues (Issues of Materiality) for Proceeding with Sustainability Management

As a corporate group closely related to the lives of people in local communities, we believe that we can achieve sustainable corporate growth by exercising our management philosophy to solve social issues and contribute to the establishment of a sustainable society. In 2021, we reviewed our priority issues (issues of materiality) and specified five themes.

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.

Five Themes and 16 Priority Issues (Issues of Materiality)



Process for Identifying Priority Issues (Issues of Materiality)

We have identified our priority issues (issues of materiality) through the process below. We will flexibly review them as necessary, in accordance with changes in our business and the external environment.

Selection of priority issues

First, we clarified our challenges based on interviews with the heads of departments and directors in charge, as well as on opinions from external specialists. Then we reviewed the priority issues while referring to the guidelines on sustainability (GRI, SASB), the SDGs, ESG rankings, and the efforts by rival companies at home and abroad. In the review process, we took into consideration our management philosophy and Sustainability Basic Policy.

Consideration of the order of priority





















We considered the order of priority based on the opportunities, risks and major efforts for each priority issue from the perspectives of economic value and social value, and we created a materiality matrix.

Confirmation of the feasibility

After the board of directors reviewed the order of priority, we finalized the five themes and 16 priority issues (issues of materiality).



Five Themes and Priority Issues (Issues of Materiality)

Themes and issues of priority		Opportunities and risks		Major efforts		Related SDGs
Healthy community	Improvement of access to reasonable and quality healthcare services	Opportunity	Acquisition of growing markets	<ul style="list-style-type: none"> Increasing the number of stores with a counseling function Enhancing online services 	<ul style="list-style-type: none"> Providing data-based healthcare services 	     
		Risk	Customer defection			
	Ensured safety in medical care and proper management of medical and pharmaceutical products	Opportunity	Increase in customer satisfaction	<ul style="list-style-type: none"> Collecting near-miss cases and sharing them for training and infrastructure development Safely collecting medical and pharmaceutical products and medical equipment 	<ul style="list-style-type: none"> Providing information on medical and pharmaceutical products using digital tools 	
		Risk	Decline of brand value / Decrease in the number of patients			
	Improvement of convenience in everyday life and support for the community	Opportunity	Acquisition of growing markets / Improvement in brand value	<ul style="list-style-type: none"> Improving access to products and services Enhancing medical and elderly nursing-care services for in-home patients 	<ul style="list-style-type: none"> Supporting activities by local communities and organizations 	
		Risk	Decline of brand value			
	Health education and support for patients in the community	Opportunity	Increase in customer satisfaction	<ul style="list-style-type: none"> Providing more information to promote prevention and care Providing information to and raising awareness of patients and their families 	<ul style="list-style-type: none"> Supporting patients and their families 	
Risk		Decline of brand value				
Improvement of therapeutic effects for patients	Opportunity	Increase in customer satisfaction / Increase in dispensing fees	<ul style="list-style-type: none"> Improving medication adherence by providing medication follow-up Improving therapeutic effects by preventing polypharmacy 	<ul style="list-style-type: none"> Improving therapeutic effects by providing information to medical institutions 		
	Risk	Reduction in dispensing fees				
Establishment of a robust society in terms of disaster risk reduction and crime prevention	Opportunity	Improvement in brand value	<ul style="list-style-type: none"> Establishing robust stores and infrastructure 	<ul style="list-style-type: none"> Supporting disaster-affected people in local communities 		
	Risk	Suspension of operation due to natural disasters, etc. / Decline of brand value				
Sustainable business partnership	Contribution to rich lifestyles through products	Opportunity	Acquisition of growing markets / Improvement in brand value	<ul style="list-style-type: none"> Providing health-conscious products 	<ul style="list-style-type: none"> Focusing on the development of high-value-added products 	   
		Risk	Rival companies acquiring growing markets			
	Maintenance of product safety and security	Opportunity	Improvement in brand value	<ul style="list-style-type: none"> Establishing a product quality assurance framework Disclosing information appropriately 	<ul style="list-style-type: none"> Focusing on the development of ethical products 	
		Risk	Customer defection			
	Establishment of a responsible supply chain management framework	Opportunity	Cost reduction / Improvement in brand value	<ul style="list-style-type: none"> Managing supply chain appropriately 	<ul style="list-style-type: none"> Promoting smooth communication with suppliers 	
Risk		Customer defection				
Contribution to the global environment	Realization of a carbon-free society	Risk	Cost increase due to carbon taxes / Decline of brand value	<ul style="list-style-type: none"> Shifting to renewable energy Reducing greenhouse gas emissions 	<ul style="list-style-type: none"> Reducing environmental impact through the entire life cycle 	   
		Opportunity	Improvement in brand value / Cost reduction			
	Realization of a recycling-based society	Opportunity	Improvement in brand value / Cost reduction	<ul style="list-style-type: none"> Promoting store development aimed at conserving water resources Promoting recycling through the cooperation of the manufacturing, distribution and sales sectors 		
		Risk	Decline of brand value			
Healthy workplace environment	Human resources development	Opportunity	Inspired innovation	<ul style="list-style-type: none"> Improving capacity development training for employees Shifting to a job-focused human resources system 	<ul style="list-style-type: none"> Actively providing opportunities for employees to fully demonstrate their abilities 	   
		Risk	Decline of competitiveness			
	Reform to realize healthy and safe working styles	Opportunity	Enhanced recruiting capability / Inspired innovation	<ul style="list-style-type: none"> Promoting health and productivity management Promoting the establishment of a workplace environment in consideration of employees' safety 	<ul style="list-style-type: none"> Promoting work-style reforms 	
		Risk	Employees leaving the company / Decline of brand value			
	Utilization of diverse human resources	Opportunity	Accelerated store launch / Inspired innovation	<ul style="list-style-type: none"> Generating opportunities with a focus on diversity 	<ul style="list-style-type: none"> Developing a framework that supports diverse working styles Fostering a corporate culture that respects diversity 	
		Risk	Slowing store launch / Decline of brand value			
Corporate governance	Personal information protection and enhanced information security	Opportunity	Improvement in corporate value	<ul style="list-style-type: none"> Strengthening efforts for personal information protection and providing thorough training 	<ul style="list-style-type: none"> Strengthening the information security framework and providing thorough training 	 
		Risk	Occurrence of risks in business continuity / Decline of corporate value			
	Reinforcement of corporate governance	Opportunity	Improvement in corporate value	<ul style="list-style-type: none"> Improving board effectiveness Providing thorough compliance training 	<ul style="list-style-type: none"> Strengthening the risk management framework 	
		Risk	Occurrence of risks to business continuity / Decline of corporate value			

Healthy Community



Since our establishment, we have developed the drugstore model of “pharmacies with the function of prescription dispensing,” aimed at contributing to local communities, ahead of our rivals. At present, we have evolved it into a new business model covering self-care, elderly nursing care, and terminal care based on our Total Healthcare Strategy.

Improvement of Access to Reasonable and Quality Healthcare Services

Increasing the number of stores with a counseling function

In this era of digitalization, the importance of counseling by experts at physical stores is increasing. In the SUGI Pharmacy Group, we are now working to integrate the records of each customer or patient, including their product purchase information, counseling history, and information obtained through our apps. Using such information, we are striving to increase the number of stores that can provide satisfactory counseling services, based on the needs and issues of each customer and patient.



Providing a data-based healthcare service

We have begun to issue *Lifestyle-related Disease Risk Reports* for determining lifestyle-related disease risks based on health checkup results. Analyzing the probability of developing a stroke, myocardial infarction or diabetes, such reports contain suggestions from a nationally certified dietician to prevent such onset.



SUGI Pharmacy's *Lifestyle-related Disease Risk Report*, adopted by Abiko City, Chiba Prefecture, as part of its measures to increase the effect of encouraging citizens to receive a specific health checkup

Serving as “local alliance pharmacies” and “pharmacies allied with specialized medical institutions”

We have focused on serving as “local alliance pharmacies” and “pharmacies allied with specialized medical institutions,” both of which are promoted under a national initiative. By utilizing our accumulated know-how, we have increased the number of stores providing a home-visit prescription dispensing service. We have proceeded with the development of local alliance pharmacies that can serve as local healthcare hubs by sharing patients’ detailed information with the relevant medical institutions at the time of their hospital admission and discharge and by providing comprehensive support in the phases of elderly nursing care and terminal care.

We are also making efforts to serve as “pharmacies allied with specialized medical institutions” with high-level pharmaceutical management functions that provide training for specialized pharmacists in the field of oncology, and we work in close cooperation with medical institutions providing specialized medical care.

Pharmacies allied with specialized medical institutions: **3 stores**
Local alliance pharmacies: **46 stores**

Interview



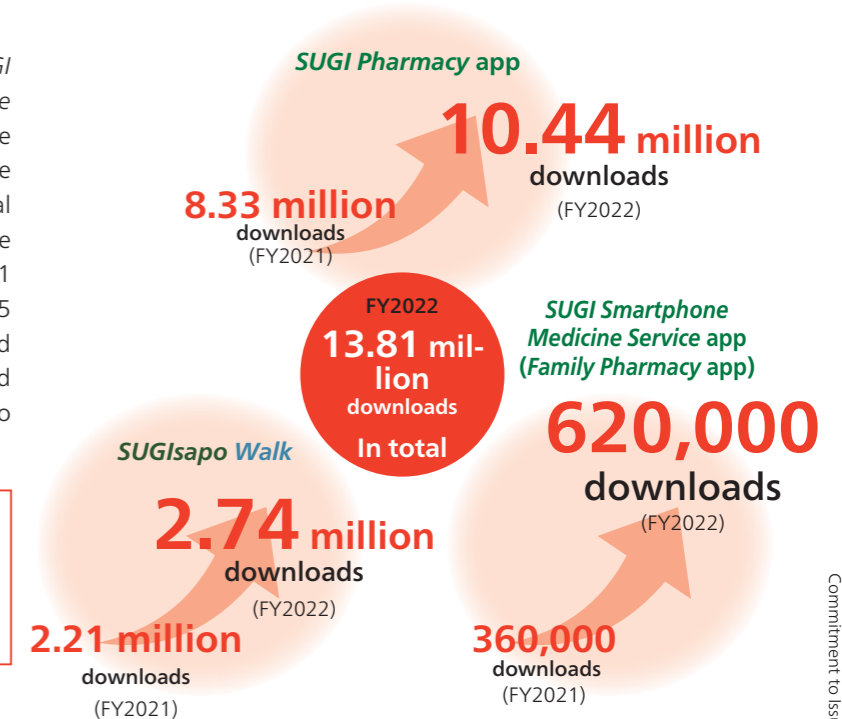
Shin-Kanaoka Store, Supervisor Pharmacist Board-certified Pharmacist of Ambulatory Cancer Chemotherapy

We have a framework in which Board-certified Pharmacists of Ambulatory Cancer Chemotherapy provide support for outpatients who need to receive pharmacotherapy, while ensuring cooperation with their medical institutions. Such pharmacists check whether their patients are suffering any adverse event or not and their medication adherence in cooperation with their medical institutions appropriately through tracing reports and other tools. In addition, not only have we established a system in which telephone counseling is available even outside business hours, but we also have organized information sessions together with nursing facilities for senior citizens and other pharmacies, and we also built a framework for sharing patients’ medication information. I’m really fulfilled at work.

Enhancing the digital membership base

The membership of our digital apps (*SUGI Pharmacy*, *SUGIsapo Walk*, and *SUGI Smartphone Medicine Service (Family Pharmacy)*) comprises the base for a variety of our digitalized healthcare services and sales promotion tailored to individual needs. In FY2022, we focused on promoting the downloading of each app and achieved 13.81 million downloads. With the goal of a total of 15 million downloads of our digital apps (by the end of FY2023), we will enhance our digitalized healthcare services and sales promotion tailored to individual needs.

FY2023 target
15 million downloads
In total



Digital contact point (Gateway to the services)



SUGI Pharmacy app

SUGIsapo Walk



A pedometer app that allows users to earn miles which can be exchanged for SUGI Points

Joint campaign with business partners

We gather and offer various kinds of information based on the needs of each customer.



Exchange for SUGI Points



Redemption of SUGI Points for rewards is also available on the app.

SUGI Smartphone Medicine Service app (Family Pharmacy app)



An electronic medication record notebook app on which users can register their family pharmacy.

Renovating SUGI Pharmacy app – realizing the concept “SUGI Pharmacy on the Palm Anytime and Anywhere”

In January 2023, we renovated the SUGI Pharmacy app. In the SUGI Pharmacy Group, we believe that it is important to deliver optimum information and services for each customer. To accommodate customers’ demand to enjoy shopping more conveniently and receive services suited for them, we automatically deliver information and services well-tuned for each customer.



Dissemination of discount and health information

Sugi Channel, where information on health, discounts, and many other topics is available, lets app users know not only about on-going campaigns, sales, etc., but also about double-point days ahead of other customers.

Dissemination of coupons optimum for each individual

Customers can receive desired coupons that would meet their tastes.



Disseminating optimum information

Even more convenient app

Customers can set coupons for their desired products before shopping.



Reducing the waiting time for checkout and the labor for customer support

Smooth checkout procedure

A mere scan of a membership card reflects the coupon set in the card into the checkout machine.



Enhanced security through the log-in function

We have enhanced the app’s security level with our eyes on the evolution of the point program and the linkage with various settlement functions.

Introducing the SUGI Shopping Ticket, using the POSA card scheme

We have expanded the scope of the reward options for point card members, thereby accommodating customers’ various needs and increasing the convenience.

In the future, we will conduct various trial operations toward introducing a service in which customers can enjoy shopping with their points.



Offering same-day delivery of OTC pharmaceuticals

At some stores, we have begun to provide customers who have purchased OTC pharmaceuticals and other products via the SUGI Smartphone Order app with same-day delivery of the items to their homes. In addition, we provide customers, whose lifestyles are diversifying, with the Buy-Online-Pickup-In-Store (BOPIS) experience of placing an order via the app in their spare time and picking up the item in a store or a store’s parking area. Moreover, to expand the scope of the shopping options in line with the diversification of customers’ lifestyles, we have launched “last-mile delivery” (from the final retailing base to the user’s home). By doing so, we will accommodate customers’ needs of shopping anytime and anywhere.

SUGI Smartphone Order

Receive even OTC pharmaceuticals at home
Last-mile delivery launched



Ensured Safety in Medical Care and Proper Management of Medical and Pharmaceutical Products

Introducing error prevention systems in prescription dispensing

We have installed a picking support system and a powder medicine checking system at all of our stores that provide prescription dispensing services, and we will ensure that all new stores have the same systems. Moreover, by proceeding with the introduction of a one-dose package checking system and introducing many more automated picking machines and automated one-dose packaging machines, we will support pharmacists in concentrating on communication with customers and establish an even safer pharmaceutical environment.



One-dose package checking system

Introducing Drug Station, automated medicine picking equipment

To pursue safety and efficiency, we have introduced Drug Station into large-scale prescription dispensing pharmacies.



Shinshu University Store, Nagano Prefecture, opened in January 2023

Features

- Accurate picking on the spot
- No need to worry if there is any error
- Safety ensured by the checking function

Responding to specialty pharmaceuticals

Specialty pharmaceuticals require special temperature management and side-effect monitoring. This means that value-added logistics, such as specialized cooling warehouses and special involvement of pharmacists, is necessary. In the SUGI Pharmacy Group, we have set up a specialized cooling warehouse and have begun to fill prescriptions for specialty pharmaceuticals at the Nagoya University Hospital Store.

Safely collecting medical and pharmaceutical products and medical equipment

In line with the needs of customers and patients, we are increasing the number of stores where infectious waste (e.g., used injection needles) is collected. To prevent such collection from leading to needle stick accidents, we have a framework for managing collected waste appropriately. *We sell collection boxes to patients and collect the sold boxes.

Ensuring accuracy of ID confirmation based on an online qualification confirmation system



Providing information on medical and pharmaceutical products using digital tools



Installing many more medicine pick-up lockers



Improvement of Convenience in Everyday Life and Support for the Community

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

“Helping local residents maintain their own lifestyles in familiar surroundings” is the basic concept of the comprehensive community care system. To achieve this, we provide in-home patients with home-visit prescription dispensing, home-visit nursing, and life support services (product sales and meal support).

Of particular notice is our home-visit prescription dispensing service by pharmacists, which we launched ahead of our competitors in the industry. We strive to provide the service to a yearly total of 250,000 people by the end of FY2025, along with our home-visit nursing and life support services.

Home-Visit Prescription Dispensing and Home-visit Nursing Services (as of February 2023)

Home-visit prescription dispensing	No. of service stores	565
	No. of users (monthly average)	14,752
	No. of users (yearly total)	176,037
Home-visit nursing	No. of service stations	14
	No. of users (monthly average)	1,569
	No. of users (yearly total)	18,847

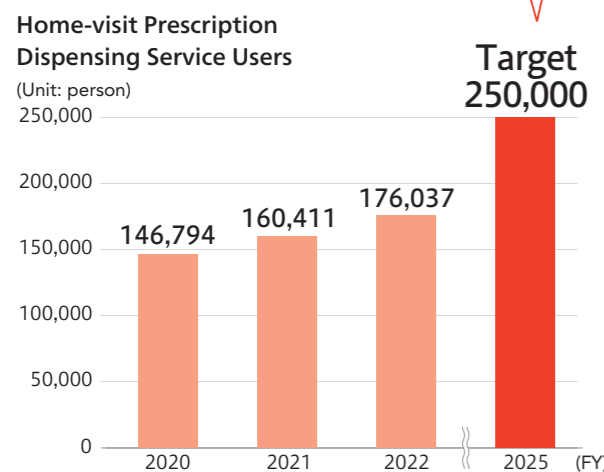
Opening stores specializing in home-visit prescription dispensing

We have opened key-stores specializing in home-visit prescription dispensing and pursuing efficiency and safety. At the Imaike-Minami Store, they have a special space for home-visit prescription dispensing on the second floor. On top of committing to home-visit prescription dispensing, they are also engaged in the rental of welfare products that patients can use while they are hospitalized and even after they are discharged from the hospital, in cooperation with nearby hospitals.



Imaike-Minami Store, Nagoya City, Aichi Prefecture

Target number of home-visit prescription dispensing service users
Yearly total of **250,000** people by the end of FY2025



Establishment of A Framework Underpinning Local Citizens' Health in Every Aspect

Rental of elderly nursing support items



Home-visit rehabilitation



Home-visit nursing station

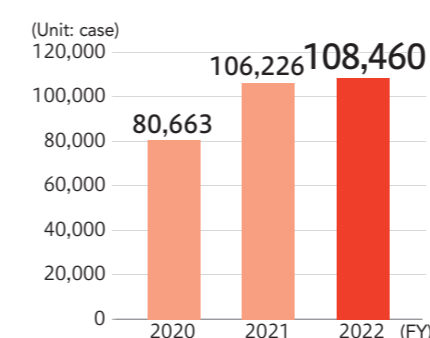


Reflecting customer feedback into management

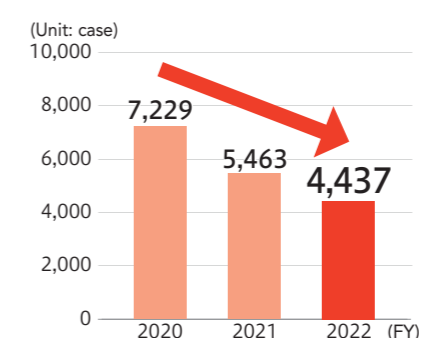
The Customer Support Office of SUGI Pharmacy receives praises, inquiries, complaints, and other feedback from customers regarding our products, customer and other services through toll-free calls, online inquiry forms, letters, etc. Such feedback from customers is shared with the relevant stores as needed, instantly, weekly, or monthly, depending on the case. The feedback is discussed at store manager meetings attended by those in charge of store operations, sales meetings and board meetings to identify problems, formulate measures, and incorporate findings into training programs. We, thus, reflect customer feedback into our management. In addition, to enable customers to solve problems on their own 24 hours a day, we have introduced an AI chat bot that provides customers with quick access to our frequently-asked-questions (FAQ) section.

We also check social media posts on us, such as Twitter and Google Map reviews, to further improve our store operations.

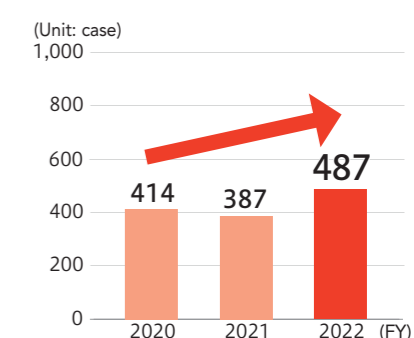
Total Number of Inquiries, Praises and Other Feedback



Number of Complaints



Number of Praises



Supporting activities by local communities and organizations

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

In the SUGI Pharmacy Group, we have annually donated AEDs to facilities for senior citizens since FY2013. In FY2022, we donated AEDs to 38 facilities located in the Kanto area for the first time. We have so far donated AEDs to a total of 255 facilities. We also organize seminars for facility staff to learn how to use the device properly.



■ **Hospitality Service – shopping support service to ensure that everybody can enjoy shopping even if they are old or sick**

This service originates from a request of patients receiving medical treatment at home or nursing facilities for senior citizens and their families who would like to have not only medicine but also daily life items delivered. Covering a wide range of goods necessary for daily lives, from sanitary items to food, this service contributes to an even better QOL for those who cannot visit physical stores.

Improving access to products and services

■ **Providing a shopping truck service**

Backed by cooperation between local governments and the SUGI Pharmacy Group, SUGI Pharmacy operates shopping trucks that go to community centers, including those for senior citizens, to provide shopping support. By offering this service, we also strive to contribute to encouraging senior citizens to go out and to help them acquire the habit of exercising.



Health Education and Support for Patients in the Community

Providing specific health guidance at stores in local communities



In-store health guidance service in which a nationally certified dietician gives suggestions on the prevention and improvement of metabolic syndrome

Specific health guidance
Provided in FY2022
2,880 people

Health event by a nationally certified dietician



Event on women's health



Health promotion seminars by the Sugiura Memorial Foundation

In cooperation with the SUGI Pharmacy Group, the Sugiura Memorial Foundation annually holds seminars in operating areas of SUGI Pharmacy nationwide in order to help local residents, including senior citizens and their families, understand about the latest medical treatment and disease prevention and feel more keenly the importance of early detection and treatment of disease, as well as preventive care against dementia and other geriatric diseases.



■ **Background of the establishment of the Sugiura Memorial Foundation**

In September 2011, when the SUGI Pharmacy Group celebrated the 35th anniversary of its establishment, the Sugiura Community Healthcare Promotion Foundation was established, with Hirokazu Sugiura and Akiko Sugiura, who had commenced SUGI Pharmacy, as the organization's founders, in the hope that they could reciprocate the support extended by local residents so far and be of use as much as possible by contributing to society. In July 2015, the foundation was certified as a public service corporation and renamed the Sugiura Memorial Foundation. Not only does it continue to support individuals and organizations that work toward realizing a comprehensive community care system, but the foundation also contributes to society extensively in the fields of dementia and preventive care.

Providing support for breast cancer patients

As part of the Pink Ribbon Campaign for raising the public awareness of early detection, early diagnosis and early treatment of breast cancer, we donated medical hair wigs to 100 breast cancer patients.

Wigs donated to Total of 1,000 patients in the past 10 years



Calling for applicants on our website

■ **Organizing wig sales events**

We periodically organized wig sales events at our flagship stores. By featuring counseling well-tuned for customers from wig makers at the sales venues, the events helped the customers feel close to wigs. While ensuring sales, we contributed to increasing the QOL of patients suffering from an adverse effect of anticancer drug treatment.



Improvement of Therapeutic Effects for Patients

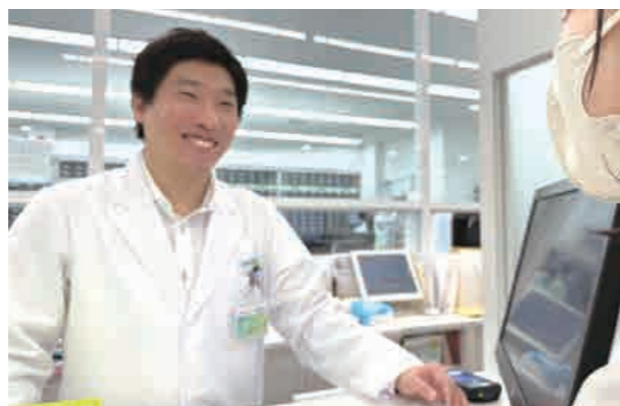
Establishing a framework for supporting patients by using our Family Pharmacy support app

Based on the cooperation between our prescription dispensing and merchandising sectors, we have encouraged customers who have purchased merchandise to download our Family Pharmacy support app, with the total number of downloads reaching 620,000. Consequently, 160,000 prescriptions (approximately 15% of the total) are sent per month through the app, leading to improved convenience for patients. We will continue to reinforce the support framework for patients through the app.



Improving medication adherence by providing medication follow-up

We have adopted a preliminary counseling style in which pharmacists provide medication instruction to patients when they present prescriptions at the counter. This enables pharmacists to concentrate on communication with customers, which is their primary role. In addition to detailed medication instruction to patients at the store, pharmacists also provide medication follow-up via a smartphone app after the patients return home and take the drugs, thus allowing them to deal with their problems anytime, anywhere. In FY2022, the number of medication follow-up cases reached 760,000. By reinforcing the activity, we would like to improve medication adherence and therapeutic effects.



Reinforcing alliance toward preventing polypharmacy

Polypharmacy (multiple medication use causing harmful effects) is a social issue primarily related to senior citizens. To prevent this, we are undertaking joint research with the National Center for Geriatrics and Gerontology on an operation model featuring a local alliance involving doctors and pharmacists at hospitals and pharmacists at pharmacies. Usually, it is difficult to address polypharmacy in outpatients and in-home patients after their discharge from hospital. By reinforcing cooperation between hospitals and pharmacies, however, we are striving to eliminate polypharmacy and consequently to increase the effectiveness and safety of medical therapy.

Establishment of a Robust Society in Terms of Disaster Risk Reduction and Crime Prevention

Supporting local disaster countermeasures and disaster risk reduction efforts

We are reinforcing various initiatives to address challenges of local communities by concluding comprehensive agreements with local governments. For local disaster countermeasures, we provide support by offering disaster relief goods and allowing our stores to be used as evacuation sites at times of emergency for evacuees and stranded commuters. For local disaster risk reduction efforts, we cooperate with local communities in implementing disaster drills.

Contribution to the enhancement of community safety and security	Agreements by FY2022
Total number of agreements	84
Comprehensive agreements	26
Watching-over agreements	11
Disaster risk reduction agreements	39
Agreements on the environment, etc.	8



Comprehensive Agreements Concluded in FY2022

Toyohashi City, Aichi Prefecture	February 2, 2022
Himeji City, Hyogo Prefecture	March 23, 2022
Togo Town, Aichi Prefecture	August 19, 2022
Kakamigahara City, Gifu Prefecture	October 6, 2022
Inuyama City, Aichi Prefecture	November 29, 2022
Mino City, Osaka Prefecture	December 13, 2022
Higashiura Town, Aichi Prefecture	January 6, 2023
Kuwana City, Mie Prefecture	February 15, 2023

*The list above includes agreements on health promotion.

BCP training to prepare for large-scale disasters

We will improve our framework to quickly establish a minimum level of environments for prescription dispensing and merchandizing at the time of a large-scale disaster. Recently, we have ensured that prefabricated dispensing rooms, temporary tents, and power generators will be available at the time of a disaster. In the future, we will implement drills at physical stores in cooperation with local governments.



Local contribution by stockpiling disaster relief goods

Together with Fujita Academy, Sugi Pharmacy Co., Ltd. has begun to stockpile disaster relief goods at the former Futamura Child Center, Toyoake City, as part of the activities of the joint research seminar of the community healthcare cooperation.



Mobile battery rental service introduced at all stores

We have introduced Charge Spot, a mobile battery rental service, at all stores. At the time of power failure due to an earthquake or other disasters, we will allow our batteries to be used free of charge, thereby contributing to establishing a robust society in areas around our stores.



Installing AEDs at many more stores

Mainly from among stores located in regions whose governments request us to install AEDs, we select stores with frequent visits of senior citizens and other customers. The number of our stores equipped with AEDs is increasing.

As of the end of February 2023, we had installed AEDs at 231 stores (approx. 14.7% of the total), and we will increase the rate to 20% by the end of FY2025.



Current and Target Percentages of Stores with AEDs

As of the end of February 2023
Approx. 14.7 of all the stores
 By the end of FY2025
Approx. 20% of all the stores (target)

Receiving refugees from Ukraine

Cooperating with Obu City, Aichi Prefecture, in supporting refugees from Ukraine, we have begun to provide employment support at the Obu Logistics Center of the SUGI Pharmacy Group. Deeply distressed and concerned about the current situation in Ukraine, we sincerely hope that people in the country will regain safe and peaceful lives as soon as possible. In the SUGI Pharmacy Group, we will continue to commit to the health and safety of people in Ukraine and those who have suffered damage.



Sustainable Business Partnerships

We will develop systems and promote initiatives to fulfill our responsibilities for the entire supply chain. Moreover, through the procurement and development of safe and secure products, we will contribute to facilitating the rich lifestyles of people in local communities.



Contribution to Rich Lifestyles through Products

Focusing on the development of high-value-added products

The SUGI Pharmacy Group will strengthen the development of high-quality, high-functionality, and high-value-added private brand products that are equivalent to national brand products in terms of efficacy, quality, ease of use, and price. We aim to resolve the worries and problems of our customers through these products.

Classification of private brand products

Loyal	Products that only SUGI Pharmacy can produce by utilizing patented technologies in coordination with universities and other companies
Middle	Products that impress with new awareness and quality
Basic	Standard quality products for reasonable prices



A product developed under the theme of gender neutrality

Prieclat U



Prieclat is a skincare product series celebrating the third anniversary since its launch. It embodies our desire to provide "skincare that makes you truly feel the difference" under the concept of the "power of penetration derived to create shining skin." With the power of penetration enabled by SNDP® technology* that brings deep into the skin layers various ingredients that were previously difficult to absorb, Prieclat products help you develop moisturized, firm and shining skin. The latest product in the series Prieclat U, which was launched in April 2022, arose from the concept and keyword of "gender neutrality." By rejecting broad categorization based solely on gender, we offer new value based on a selection of products suited to the skin condition of each individual. Through such products, we will work to promote diversity and help achieve the SDGs.

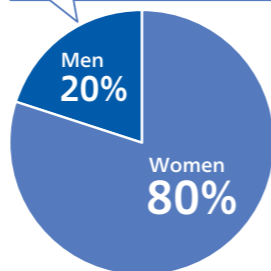
*A technology developed in collaboration with universities and other organizations, which can deliver water-soluble and high-molecular components to every corner of the stratum corneum by nano-dispersing them over oil-based and water-soluble materials

Sales results suggestive of sympathy with the concept

The sales results since its launch in April 2022 of the Prieclat U series, which was developed under the theme of gender neutrality, show that approximately 20% of customers who have purchased the product are men. This tendency, which is not observed in other basic cosmetics, suggests that the purchasers have understood the development theme of the product quite well.



Men account for 20% of sales!



Gender Composition of Customers Who Purchased Prieclat U, a Gender Neutral Product

Developing unique products in FY 2022: T³



To take care of me from one strand of hair down to my toes

Based on SUGI Pharmacy's proprietary SNDP® penetration technology, we have developed T³ brand products for all people who want to become beautiful TOP TO TOE, from one strand of their hair down to their toes.

This is a brand to propose new beauty care focusing on all body parts, the hair, nails, eyelashes, heels, lips, hands, legs, etc. The SUGI Pharmacy Group aims to contribute to rich lifestyles of customers in each local community through the sale of unique products that it develops.

Resolution of food issues through collaboration between Nissin Food Products' "Kanzen Meshi" series and SUGI Pharmacy's registered dietitians

Nissin Food Products' "Kanzen Meshi (Complete Food)" series is a brand that aims to resolve modern food issues in pursuit of a perfect balance between deliciousness and 33 nutrients identified in the Dietary Reference Intakes for Japanese published by the Ministry of Health, Labour and Welfare with the appropriate amount of calories, salt, sugar, lipid, protein, etc., without changing the appearance and deliciousness of regular food.

SUGI Pharmacy, by positioning "Kanzen Meshi" as one of the important strategic products in its Total Healthcare Strategy, sells them nationwide at 1,150 stores while advertising them in specially designated spaces and digital signage and introducing them through customer services by registered dietitians at the stores.

We also provide information on "Kanzen Meshi" to 10 million users of the SUGI Pharmacy App. In the future, we plan to maintain direct communication with customers with potential needs for "Kanzen Meshi" based on the purchase history and action history in the app. Going forward, SUGI Pharmacy will introduce "Kanzen Meshi" to health insurance associations and medical institutions with which it maintains close relationship while introducing "Kanzen Meshi," which is as delicious as regular food, to the company cafeteria at its head office to support the healthy diet and improve the well-being of employees working for the Company.

SUGI Pharmacy and Nissin Food Products will continue to strengthen initiatives that utilize "Kanzen Meshi" in order to support the healthy lives of our customers going forward.



Maintenance of Product Safety and Security

Establishing a product quality assurance system

We strengthen our quality control systems in order to develop safe, high-quality private brand products. Specifically, we requested that all our business partners involved in the development of private brand products perform self-checks based on specification documents prepared by the Group, and the results were converted to evaluation scores. We request our business partners to improve on problematic items and conduct on-site audits to ascertain improvements. We will continue to maintain high quality by building an appropriate arms-length relationship with our business partners.

Actively collecting and utilizing customer feedback

In reference to customer feedback, such as "I wish there was a product of this kind" and "I want this part of the product to be improved," we will endeavor to develop products that satisfy customer needs.



Collecting opinions from customers through the SUGI Pharmacy App

Disclosing information appropriately

In order to ensure that our private brand products are used safely and securely, we have increased the number of items we provide with disclosure of ingredients, nutrients, allergens, and chemical-free status.



Developing and promoting eco-friendly products

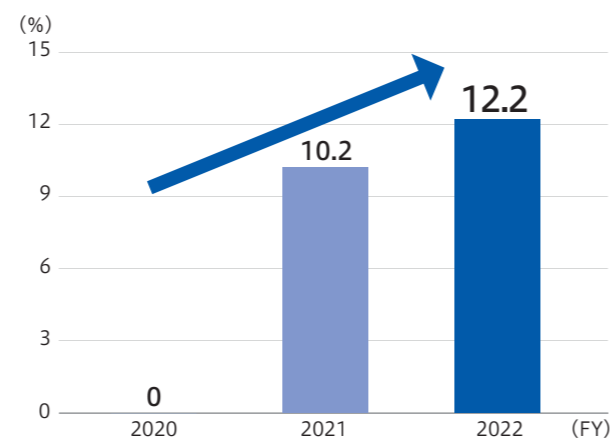
Since FY 2021, we have been developing eco-friendly private brand products. For their materials, we have adopted those that will help environmental preservation, such as FSC certified paper, bio-mass plastic, and vegetable oil ink. Our target is to increase the ratio of eco-friendly products to all private brand products to 30% by FY 2030 (from 12.2% in FY 2022).



Developing products using FSC certified paper

Percentage of eco-friendly private brand products
FY 2030 target: **30%**

Percentage of eco-friendly private brand products*



* Percentage of eco-friendly products to all private brand products

Establishment of a Responsible Supply Chain Management System

Smooth communication with business partners

To achieve coexistence and co-prosperity with our business partners and address various social challenges, we hold briefing sessions to explain the annual policies and plans of the SUGI Pharmacy Group to our business partners. By promoting their understanding and cooperation, we expect to receive their support for our business, such as improvement of products and services and streamlining of operations, as well as advancing environmental conservation and other initiatives to realize a sustainable society.



Recently held briefing sessions to explain our policies and plans to 421 attendees from 269 business partners

Initiatives to Address Human Rights Issues

The SUGI Pharmacy Group conducts business activities aiming to contribute to a society full of smiles by supporting healthy and rich lifestyles of people in local communities.

In order to practice its 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," the SUGI Pharmacy Group has established a human rights policy to promote initiatives to address human rights issues. *An excerpt from the Human Rights Policy is shown below:

1 Endorsement of international norms and respect for human rights

Having understood the human rights as stipulated in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work and having endorsed the Guiding Principles on Business and Human Rights adopted by the United Nations and other international norms, the SUGI Pharmacy Group will implement initiatives to respect human rights in accordance with these international norms. In addition, the SUGI Pharmacy Group will comply with the laws and regulations of the countries and regions in which it conducts business activities. If there is an inconsistency between internationally recognized principles of human rights and the laws and regulations of the countries and regions in which we conduct business activities, we will explore a means to respect the internationally recognized principles of human rights to the maximum extent.

2 Governance and promotion system

The SUGI Pharmacy Group will promote initiatives to respect human rights through the Sustainability Committee, an advisory body to the Representative Director & President.

3 Human rights due diligence

Based on the Guiding Principles on Business and Human Rights approved by the United Nations, the SUGI Pharmacy Group will conduct human rights due diligence in order to identify, prevent, and mitigate any adverse impact on human rights and explain measures to address it.

Regarding the evaluation of the supply chain (business partners), contract manufacturers of our internally developed products have conducted self-checks based on questionnaire sheets in response to our request on a priority basis. We will also implement collaborative initiatives for improvement in steps through site visits to the offices and plants of our business partners and/or audits of them.

4 Engagement with stakeholders

The SUGI Pharmacy Group strives to understand, address, and resolve human rights issues while maintaining ongoing dialogue with relevant stakeholders in order to address human rights issues from the perspective of stakeholders that have influence on them.

Human rights promotion system

Person in Charge	
Representative Director & President, SUGI Holdings Co., Ltd.	
Secretariat	
President's Office, Human Resources Department, SUGI Holdings Co., Ltd.	

Department	Roles
Human Resources Department	● Update and determine various operations in accordance with the Human Rights Policy
Legal Affairs Office	● Coordinate with lawyers and propose changes in policies and operations based on laws
President's Office	● Draft, propose, and update on a timely basis the Group's human rights policy ● Monitor the progress in and continuously promote the evaluation and operational improvement of human rights actions ● Manage relationships with various stakeholders
Human Resource Development Department	● Provide regular human rights education to employees
Product Development Department	● Conduct contract manufacturer survey, aggregate and evaluate data, conduct corporate audits, and request improvements

5 Reporting contact and complaints handling (development of a relief mechanism to address human rights violations)

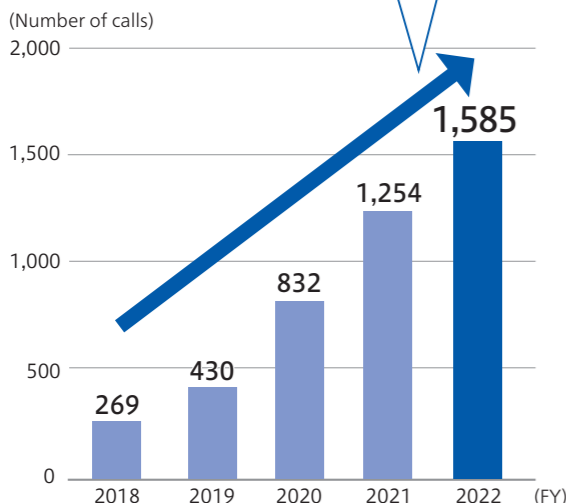
For the purpose of preventing and correcting systematic or individual violation of laws and regulations or misconduct, the SUGI Pharmacy Group has established an internal reporting system and operates it in accordance with applicable internal regulations. The Group has established a compliance consultation channel as an internal reporting channel within the Group and at an external law firm. Through this channel, employees can report their concerns anonymously or otherwise. Any disadvantageous treatment of reporters is prohibited. Also for external stakeholders, the Group has established a customer consultation desk to secure their access to appropriate relief and will create a relief mechanism for any human rights violations against all stakeholders.

SUGI Pharmacy Group's internal reporting system

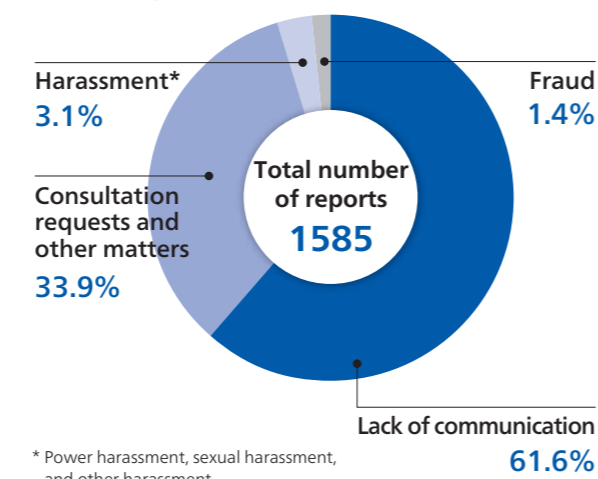
In order to increase the recognition and understanding of the abovementioned system, we have ensured that contact information for the system is displayed at our stores and offices, and we have also distributed the Compliance and Disaster Countermeasure Pocket Book. By such promotional activities, we endeavor to establish a sound reporting system. The Internal Reporting System was renamed "Anything Consultation Call Service for All Workplace Concerns" in FY 2021 to create an environment where employees feel able to use it more freely.

Number of calls to "Anything Consultation Call Service for All Workplace Concerns"

Creating an open work environment in which employees can seek consultation appropriately for any workplace concerns!



Number of calls to "Anything Consultation Call Service for All Workplace Concerns" (breakdown)



6 Education and enlightenment

The SUGI Pharmacy Group provides all employees with education and enlightenment opportunities that are necessary for the implementation of the Policy.

7 Monitoring and information disclosure

The SUGI Pharmacy Group will monitor the initiatives to address human rights issues on an ongoing basis and correct them as necessary. The Group will also regularly disclose information on its initiatives to address human rights both internally and externally.

8 Cooperation with internal and external experts

The SUGI Pharmacy Group will implement the Policy, including human rights due diligence and the creation of a relief mechanism, in cooperation with internal and external experts and based on their expert insights.

9 Initiatives to address human rights issues

The SUGI Pharmacy Group will focus on addressing the following issues:

- ① **Securing adequate wages**
The Group will comply with statutory minimum wages and will not unfairly reduce wages.
- ② **Proper management of working hours**
The Group will manage working hours and rest periods properly and work to establish a work schedule that does not rely on overtime hours.
- ③ **Provision of a safe, hygienic, and healthy working environment**
The Group will strive to provide a safe, hygienic, and healthy working environment to ensure that employees can work actively in a safe and rewarding workplace.
- ④ **Respect for the right to social security**
The Group respects the right to social security provided under health insurance, pension, and social welfare programs.
- ⑤ **Prohibition of inhumane treatment**
The Group will not engage in and prohibits any inhumane treatment of people at the workplace, including harassment (sexual harassment, power harassment, maternity harassment, moral harassment, etc.) that gives mental distress to and offends others, producing negative impact on the work environment.
- ⑥ **Prohibition of forced labor and human trafficking**
The Group prohibits forced labor and human trafficking.
- ⑦ **Prohibition of child labor**
The Group will not employ anyone under the legal minimum working age.
- ⑧ **Respect for freedom of association**
The Group will not violate the freedom of association of employees.
- ⑨ **Prohibition of discrimination against foreign workers**
The Group prohibits discrimination against foreign workers in terms of wages, working hours, and other working conditions on the grounds of their nationality.
- ⑩ **Prevention of defamation and invasion of privacy relating to AI and other technologies**
The Group will prevent defamation, invasion of privacy, and discrimination that go with the widespread use of the Internet, ICT, and AI.
- ⑪ **Protection of privacy and personal information**
The Group will not arbitrary, unduly, or illegally intervene in the private life, family, residence, or communication of people or disclose factual information about their private lives, non-public information, or any other information that an ordinary person would not desire to be disclosed. In particular, the Group will not acquire, store, publish, or provide to a third party any personal information without obtaining its owner's consent.
- ⑫ **Securing quality and safety of products and services and consumers' safety and right to know**
The Group will strive to improve the quality and safety of products and services and prevent any accident in order to secure true customer satisfaction.
In the event of any accident or problem relating to its products and services, the Group will collect accurate facts and act promptly regardless of the significance of the matter. In addition, the Group does not tolerate any misrepresentation in product labeling and respects consumers' right to know.
- ⑬ **Prohibition of discrimination**
The Group will not in any event engage in and does not tolerate any discrimination based on race, gender, religion, creed, nationality, bodily features, disease, educational background, age, or other unreasonable grounds.
- ⑭ **Prohibition of gender discrimination**
The Group prohibits discrimination against minorities in terms of sexual orientation or gender identity, such as LGBT.
- ⑮ **Respect for freedom of expression**
The Group will not violate people's rights to have, seek, receive, and communicate an opinion without being interfered with by others.
- ⑯ **Respect for the rights of indigenous peoples and local residents**
In conducting business activities, the Group will not violate the rights of indigenous peoples and local residents.
- ⑰ **Consideration for the environment and climate change**
In conducting business activities, the Group will be considerate to the environment and climate change so as not to destroy the environment or cause air, soil, or water pollution.
- ⑱ **Respect for intellectual property rights**
The Group will not violate the intellectual property rights of individuals or other companies.
- ⑲ **Prohibition of bribery and corruption**
The Group prohibits its officers and employees from providing or receiving gifts, loans, rewards, remuneration, or other benefits as an incentive to induce acts of others that fall under a fraud, illegal act, or a breach of trust, and from using delegated authority for their own personal benefits, in the course of business activities.
- ⑳ **Respect for human rights in the supply chain**
The Group does not tolerate and will strive to prevent any human rights violations arising in its supply chain.

Contribution to the Global Environment

A sustainable global environment is essential for us to continue our business and store operations. Therefore, we have been promoting environmental and other measures to realize a recycling-based society and a decarbonized society.



Realization of a Decarbonized Society

Shifting to renewable energy

We will promote the introduction of a solar panel-based power generation system into stores to realize the shift to renewable energy. In FY 2022, we planned to introduce renewable energy by using on-site corporate PPAs (third party ownership), and the introduction is already underway in a phased manner. In order to achieve the CO₂ reduction target for FY 2030, we will actively use not only on-site PPAs but also off-site PPAs and self-consignment arrangements.



Solar power generation panels installed on the rooftop of Fujimi Store in Kariya City, Aichi Prefecture

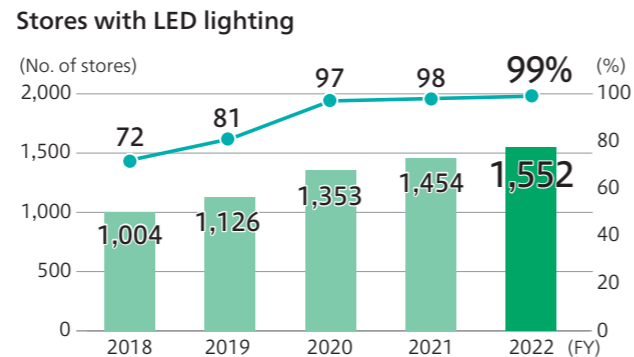
Number of stores that have installed solar panels **48**
(As of March 31, 2023)

Reducing the consumption of fossil fuels

In order to reduce the consumption of fossil fuels by company cars, we have started to introduce electronic vehicles (EVs). We will continue to expand the introduction of EVs, as well as hybrid vehicles. We have also introduced a mechanism to monitor the driving status of vehicles, such as sudden braking and starting, to seek safe driving and the reduction of fossil fuel consumption at the same time.

Introducing energy saving equipment and reducing power consumption (energy saving)

We are working to reduce power consumption by closely monitoring temperatures and regularly clearing AC equipment at stores as well as the headquarters and other offices. We have also been working to replace conventional lighting with LEDs at all our stores since FY 2013. We will also replace old LEDs in due course in order to reduce power consumption and CO₂ emissions further.



Submission of a declaration of voluntary action for the white logistics promotion campaign

We have endorsed the purport of the “white logistics” promotion campaign advocated by the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Economy, Trade and Industry, and the Ministry of Agriculture, Forestry and Fisheries, and we submitted a voluntary action declaration on August 1, 2021 to work toward the realization of sustainable logistics.

Specific actions set forth in SUGI Pharmacy’s voluntary action declaration

Action items	Details of efforts
Logistics improvement proposals and cooperation	If there are any requests from business partners or logistics companies regarding manual unloading by truck drivers, the rationalization of ancillary work, etc., we will diligently discuss the matters with them and actively propose solutions.
Introduction of reservation reception system	The Company will reduce truck drivers’ waiting time by introducing a truck reservation reception system.
Use of pallets, etc.	The Company will reduce cargo handling time by using such items as pallets, folding containers, and returnable boxes.
Provision of receiving/shipping information from business partners in advance	We will secure adequate work hours for on-site workers and truck drivers to allow them to complete their work and delivery without undue time constraints in order to promote the rationalization of logistics by requesting business partners to share quantity information and data with the distribution center in advance.
Leveling order quantity	To reduce cargo waiting time and improve operation efficiency, the Company will level out the difference in busyness, such as by equalizing the quantity of cargo per day and month.
Promotion of documented transportation contracts	When selecting a logistics company to contract with, the Company will promote legal compliance by mutually confirming relevant laws and regulations.

Participation in the demand response verification project undertaken by SB Energy Corp.: We distributed coupons that can be used at some of the SUGI Pharmacy stores in response to tight power supply and demand balance

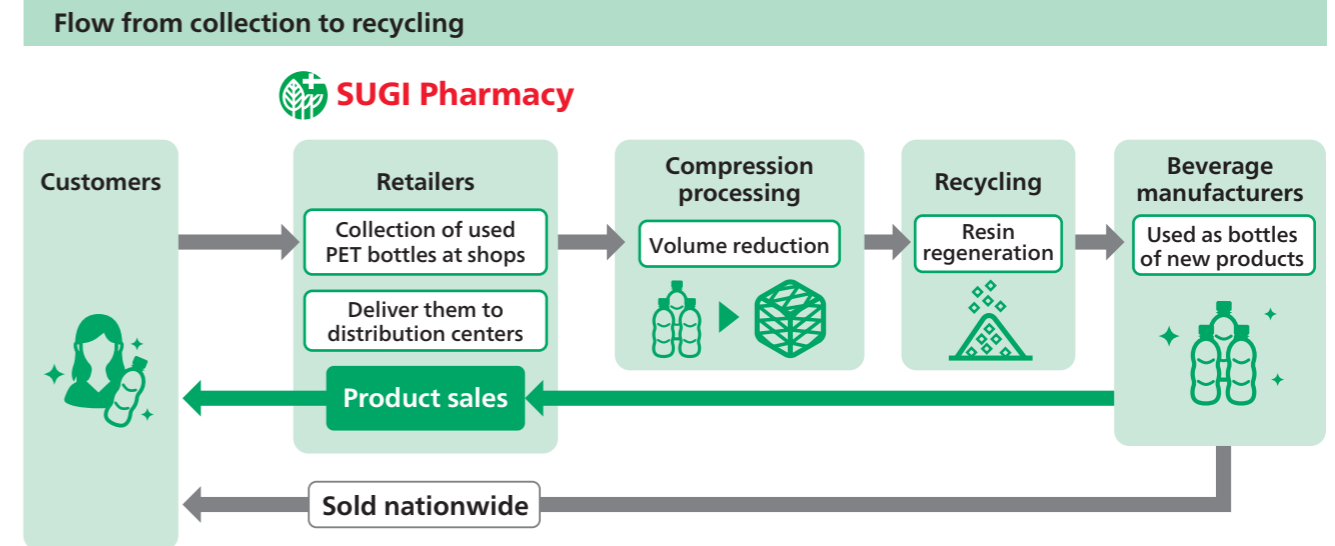
In order to reduce household power consumption at the time of tight power supply and demand balance, the SUGI Pharmacy Group has participated in the demand response verification project undertaken by SB Energy Corp. (hereinafter, “SB Energy”), which is based on behavior modification of people and utilizes yOUR, a web application program to facilitate a shift to a low-carbon lifestyle.

Through coordination with SB Energy, users are guided to some of the SUGI Pharmacy stores as destinations for going out campaigns of yOUR. In addition, we cooperated with SB Energy to reduce household power consumption through the distribution of coupons that can be used at stores that users participating in yOUR have checked in.

Realization of a Recycling-based Society

Resource recycling initiatives for plastics

Start of bottle-to-bottle, horizontal recycling of PET bottles



The SUGI Pharmacy Group, in collaboration with its supply chain companies, started a bottle-to-bottle, horizontal recycling initiative in which used PET bottles are collected and recycled as new PET bottles. In FY 2022, more than 10 stores in Aichi and Saitama Prefectures served as bases for PET bottle collection. In and after FY 2023, stores all over Japan will participate in this initiative.

In this initiative, we install new recycling boxes at SUGI Pharmacy stores and aim to collect used PET bottles of good quality, meaning that the labeling and the cap have been removed and the bottle has been washed. The bottles collected at a store are transported to a SUGI Pharmacy distribution center by a truck on the way back from the delivery of merchandise to the SUGI Pharmacy store. The bottles are then processed for volume reduction by a company contracted for compression processing and for resin



A person using a “Bottle Squash” volume reduction machine

The machine grants SUGI Pharmacy points according to the volume of collected bottles and automatically screens only those PET bottles that do not contain any residue. Customers can participate in resource recycling enjoyably. (The machine has been introduced to limited stores.)

regeneration by a recycler. After that, our partner beverage manufacturers manufacture beverage products using the recycled PET bottles as their containers.

Going forward, we will work to improve the efficiency of the collection scheme and reduce the cost of recycled PET resins by encouraging more supply chain companies to participate in collection.



Bottle-to-bottle enlightenment poster



■ Participation in the verification tests for a medicine sheet recycling program

おくすりシート リサイクルプログラム
OKUSURI SHEET RECYCLE PROGRAM



Two stores of the SUGI Pharmacy Group in Yokohama City have participated as collection bases in Japan's first consumer participation type used medicine sheet (PTP sheet) recycling program organized by Daiichi Sankyo Healthcare Co., Ltd. and started jointly with TerraCycle Japan LLC in Yokohama City.

In Japan, approximately between 10,000 to 20,000 tons of medicine sheets are produced a year. As they are indispensable packaging materials for pharmaceuticals, it is difficult to reduce their consumption, and the consumption is expected to increase going forward with the ad-

vancement of the aging society. However, few consumers recognize them as a recyclable recourse, and the collection volume is small. Therefore, unlike PET bottles, recycling mechanisms for medicine sheets have not been established.

By serving as collection bases for medicine sheets of prescription drugs and OTC pharmaceuticals sold and/or used by the SUGI Pharmacy Group, we will increase the awareness of them as a recyclable resource among customers and patients and contribute to the creation of a mechanism to recycle them as a resource.

Reducing the use of plastic

We continue to charge for plastic checkout bags to reduce their use.

No. and weight of used checkout bags

	FY 2019	FY 2020	FY 2021	FY 2022
No. of used bags (unit: 1 million bags)	262	144	43	65
Weight of used bags (unit: ton)	2,000	1,100	328	507

A reduction of about 75%

Strengthening resource recycling initiatives for clothing and textile goods

■ Recycling of used uniforms as display fixtures

The SUGI Pharmacy Group has introduced PANEKO@, a sustainable board made from discarded clothing. Used uniforms of store employees are collected and recycled as display fixtures made of PANEKO@.



■ Roles as a collection base for textiles and clothing

In collaboration with Suzuroku Co., Ltd. based in Okazaki City, Aichi Prefecture, we have started the collection of clothing at a SUGI Pharmacy store in Okazaki City.



Strengthening resource recycling initiatives for food (food loss reduction)

■ Promoting temaedori (taking from the one in front)

Since FY 2021, we have been implementing the "temaedori" (taking from the one in front) initiative together with the government agencies concerned and JACDS member companies.

This initiative is aimed at reducing food waste by encouraging customers who plan to eat food right away to choose from and purchase products in the front.

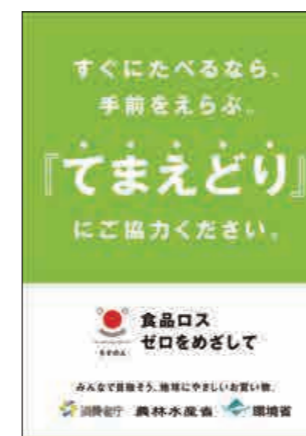
At the same time, we will promote the initiative to reduce the food-loss-and-waste ratio through the promotion of selling out by revising food disposal standards, the reduction of excess inventory by revising inventory standards for bread, and the optimization of inventory by introducing automatic order placement for food.

■ Strengthening the promotion of selling out of foods whose best-before date is approaching

By introducing a closeout sticker issuing machine, we have increased productivity by reducing the burden of in-store work to sell out of foods whose best-before date is approaching. Through this effort, we have strengthened the promotion of selling out of foods whose best-before date is approaching.

■ Donation to food banks

We have started the donation, to food banks, of foods that cannot be sold due to an approaching best-before date or damaged packaging although it is safe to eat them. As these foods are provided free of charge to facilities, groups, and needy households that need them, we can reduce food loss and waste while solving social issues.



Start of the donation of rice to Second Harvest Nagoya

Establishment of an internal organization aimed at inventory optimization

In FY 2022, aiming at optimizing inventories and reducing returns and related waste, we established an organization in charge of distributing inventories (Inventory Distribution Section, Product Management Department) and bolstered efforts. As a result, inventory turnover improved by about four days to secure profits while helping to resolve social issues.

Specific actions

- Meticulously adjusted the settings for automatic order placement to ensure that inventory levels match sales volume
- Investigated and analyzed the uneven distribution of inventories and requested stores to move them appropriately

Reducing marine plastic waste by installing water stations

We have endorsed the “work together to install water stations” challenge of the Sutehaji Project, which will be carried out by co-creation partners of TEAM EXPO 2025 (Expo 2025 Osaka, Kansai), and participated in the project as a co-creation partner. Through the installation of water stations, we aim to contribute to the reduction of PET bottle use and marine plastic waste.



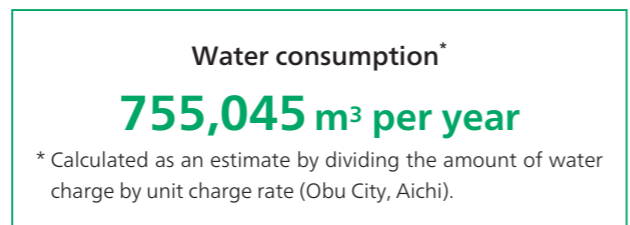
Health x Biodiversity x Digital

We held a “SUGI Green Walk Challenge” event, which featured SUGIsapo Walk, a pedometer app. We are working on the popularization and enlightenment of biodiversity through donations to environmental groups in proportion to the number of people who have achieved certain step counts in walking rallies and the provision of information on endangered species of animals.



Visualization of water consumption aimed at conserving water resources

In FY 2022, we started the visualization of water consumption as part of efforts to conserve water resources in our business activities. We will implement effective measures to conserve water resources going forward by analyzing changes in water consumption over time and comparing and analyzing water consumption among different store types (in terms of size and services).



Information Disclosure Based on TCFD Recommendations

Responses to TCFD recommendations

The SUGI Pharmacy Group endorsed the recommendations in the TCFD’s final report in December 2021. From now on, we will disclose information in accordance with the framework recommended by the TCFD (governance, strategy, risk management, and metrics and targets) and promote initiatives on climate change issues to contribute to the realization of a sustainable society.



* TCFD stands for the Task Force on Climate-related Financial Disclosures. The TCFD was established by the Financial Stability Board at the request of the G20 to discuss how climate-related information disclosures and financial institutions’ responses should be.

Governance and risk management

Responding to climate-related risks and opportunities is one of the key ESG issues we should tackle with concerted group-wide efforts. Based on this recognition, we have established a Sustainability Committee (which meets at least twice a year) as an advisory body to the Representative Director & President for the purpose of promoting sustainability management, including the deliberation and determination of basic policies and necessary matters relating to such responses.

management of progress toward targets, materiality assessment of risks, priority setting, and the determination of response measures to be taken before making reports and recommendations to the Representative Director & President. We have also established a Risk Committee within the Sustainability Committee as a body to manage relevant risks and execute tasks in accordance with the instructions of the Sustainability Committee.

The Sustainability Committee holds meetings attended by directors in charge of the main divisions and conducts the planning of measures to address climate-related is-

sues, management of progress toward targets, materiality assessment of risks, priority setting, and the determination of response measures to be taken before making reports and recommendations to the Representative Director & President. We have also established a Risk Committee within the Sustainability Committee as a body to manage relevant risks and execute tasks in accordance with the instructions of the Sustainability Committee.

Strategy

Scenario analysis

We have assessed risks and opportunities that may have an impact on the Group in reference to, among others, the 1.5°C and 4°C scenarios identified in the IPCC’s Fifth Assessment Report, the IEA WEO NZE scenario, etc., after collecting various parameters based on future forecasts.

CO₂ emissions (t-CO₂) under the assumption of no positive action and when targets are met

Item	2030
CO ₂ emissions under the assumption of no positive action	225,689
Emissions when 50% reduction in CO ₂ emissions per store from FY 2014 has been achieved	141,890

* An emission factor of 0.000433 (t-CO₂/kWh; national average factor for FY 2022) was used.

* A net increase of 100 per year in the number of stores is assumed.

* Electric power consumption at most recently opened stores was used. (Electric power consumption is higher at these stores.)

Scope of analysis

Business: Drugstore business in Japan

Scope: Stores, procurement, logistics, and consumer behavior

Period: Present through 2030

Adopted scenarios

- IEA WEO2022 NZE (1.5°C)
- IPCC 5th Assessment Report, etc.

Assessment results

1.5°C scenario

We expect that various transition risks will increase. In this scenario, we expect that countermeasures against climate-related issues will be strengthened and decarbonization will progress. As a result, we expect increases in expenditure due to the introduction and higher rates of carbon taxes and the widespread use of renewable energy.

4°C scenario

We expect that physical risks, such as extreme weather, will increase. We expect damage to store operations due to the frequency and intensification of natural disasters caused by climate change. As a result, we expect increases in expenditure for repairs and decreases in sales due to temporary store closures.

Common scenario (1.5°C and 4°C)

We expect that changes in consumer preferences and behavior will be influenced by temperature rises. If we are unable to develop and display products that meet customer needs or effectively market services that meet customer needs, opportunity losses may arise. On the other hand, we could take advantage of increases in opportunities if we can capture such needs.

Assessment of risks and opportunities

Category		Assessment	
		Assessment in the world of +1.5°C	Assessment in the world of +4°C
Transition risks and opportunities	Policies and regulations	Carbon pricing	Risk: Expenditure will increase following the introduction of carbon pricing. Risk: Expenditure will increase due to increases in production and procurement costs of products and services throughout the supply chain.
		Control of CFCs	Risk: Expenditure will increase due to the introduction of CFC-free equipment at stores.
	Technology	Logistics efficiency	Opportunity: Expenditure will decrease as a result of more efficient logistics.
	Market	Electricity prices	Risk: Expenditure will increase due to rises in electricity prices.
	Reputation	Customer preferences	Risk: Sales will decrease due to a delay in the provision of eco-friendly products and services. Opportunity: Sales will increase as we develop private brand products that meet the needs for sustainable consumption.
EV charging		Opportunity: The frequency of visits to stores will increase as we enhance the charging environment.	
Physical risks and opportunities	Acute	Drastic increases in extreme weather	Risk: Sales will decrease significantly due to increases in temporary store closures and lower customer traffic caused by physical damage to stores.
			Risk: Expenditure will increase as insurance premiums increase in response to increases in natural disasters.
		Opportunity: Sales of disaster prevention and stockpiling-related products will increase. Risk: Repair expenses will increase due to physical damage to stores.	
	Chronic	Average temperature	Risk: AC-related expenditure will increase as the temperature rises.
	Production and procurement	Risk: Expenditure will increase as purchase costs increase due to lower production of raw materials.	

Excerpt from business impact assessment based on scenario analysis
Trial calculation of expenditure arising from transition risk (carbon taxes)

Trial calculation of the impact when 50% reduction in CO₂ emission from FY 2014 is achieved in FY 2030. The amount of carbon taxes in 2030 is expected to be approximately 2.7 billion yen.

Item	Business impact
Amount of carbon taxes in FY 2030	Approx. 2.7 billion yen

* In reference to IEA WEO2022 NZE (1.5°C) P465 Table B.2, the amount of carbon taxes in FY 2030 was set at 140 dollars/t-CO₂.
* The trial calculation is based on the USD/JPY exchange rate as of March 1, 2023.

Future initiatives

The Group will implement the following measures to be able to create a sustainable society not only for society but also for the Group itself.

Response measures toward the realization of a decarbonized society

Energy saving measures

- Daily operational improvements and enlightenment for power saving
- Introduction and replacement of energy saving equipment
- Introduction of energy management systems

Energy creation measures

- Installation of solar power generation panels owned by the Company
- Installation of on-site and off-site solar power generation panels on a PPA basis

Other measures to reduce CO₂ emissions

- Purchase of non-fossil certificates and green power certificates
- Purchase of CO₂-free menu services from electric power companies
- Use of EVs as company cars

Response measures toward the realization of a recycling-based society

- Repair and reuse of foldable containers and transportation and delivery equipment
- Reuse of furniture, fixtures and equipment following store renovation or closure
- Monitoring of any abnormal quantity of supplies or inventories at each store and providing guidance
- Development of private brand products with eco-friendly packaging
- Promotion of the “temaedori” (taking from the one in front) campaign to prevent food waste
- Reducing waste by sharing information with our business partners
- Charging for plastic bags

Metrics and targets

CO₂ emissions Scope 1 and 2

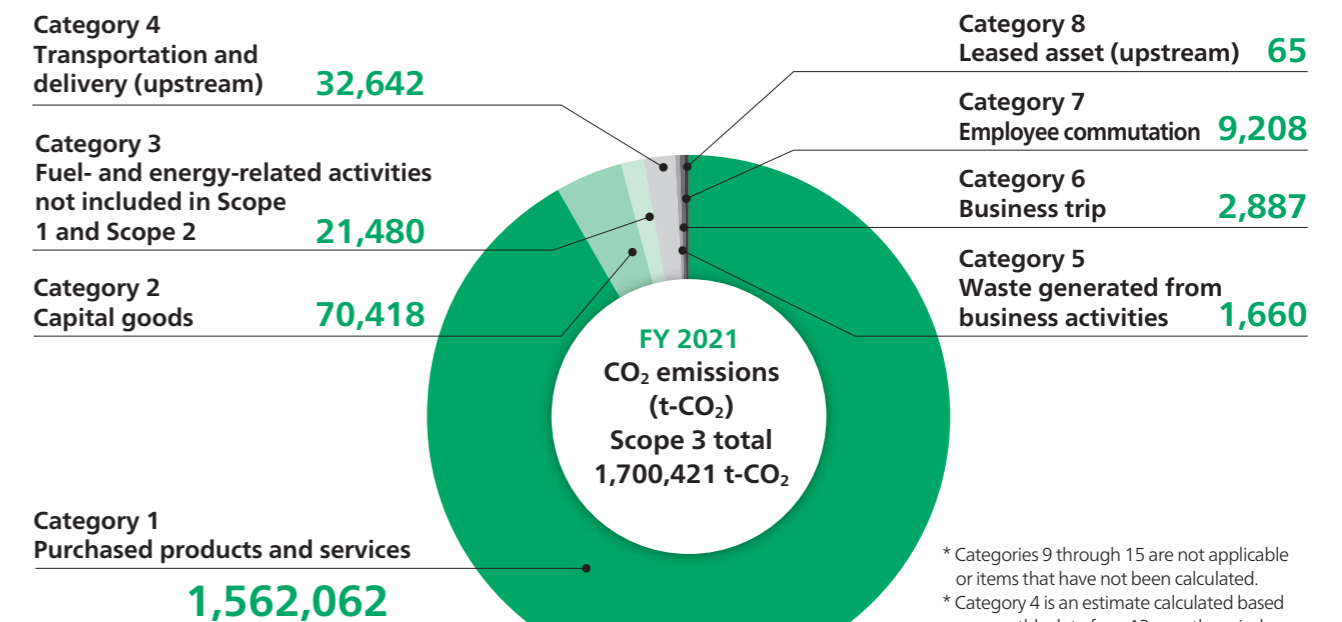
Current status of the Group

Year	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
No. of stores	947	996	1,048	1,105	1,190	1,283	1,391	1,483	1,565
Emissions (t-CO ₂)	112,773	123,377	129,392	119,826	120,826	117,611	126,160	135,149	To be calculated
Average per store (t-CO ₂)	119.1	123.9	123.5	108.4	101.5	91.7	90.7	91.1	To be calculated

* A location-based emission factor (national average emission factor by electric power company) is used.
* CO₂ emissions based on the use of gasoline by company cars are calculated on a trial basis based on the pro rata allocation of FY 2020 results using the number of stores (in and before FY 2020).
* CO₂ emissions shown in the table above are Scope 1 and 2 emissions (emissions from the Group).
* Calculation logics for tenant shops and some offices are currently under close examination.

CO₂ emissions Scope 3

FY 2021 Scope 3 breakdown



* Categories 9 through 15 are not applicable or items that have not been calculated.
* Category 4 is an estimate calculated based on monthly data for a 12-month period.
* Figures and calculation logics of all categories are currently under close examination.

Metrics and targets

CO ₂ emission per store reduction targets	
FY 2030	50% reduction from FY 2014
FY 2050	Net ZERO

Metrics to measure progress toward the realization of a decarbonized society

- Ratio of reduction in CO₂ emissions (Scope 1 and 2) per store
- Ratio of reduction in CO₂ emissions from our supply chain (Scope 3)
- Percentage of renewable energy

Metrics to measure progress toward the realization of a recycling-based society

- Ratio of eco-friendly private brand products
- Food-loss-and-waste ratio
- Volume of plastic bags used

Healthy Workplace Environment

Considering employees as an important asset that enhances corporate value, we are creating an environment in which employees can work energetically, supported by a mechanism to realize diversity in their careers and work styles and an environment in which each employee can work in good health and with a smile. Furthermore, we are promoting the development of an organizational culture that embraces human resources with diverse backgrounds.



Human Resource Development

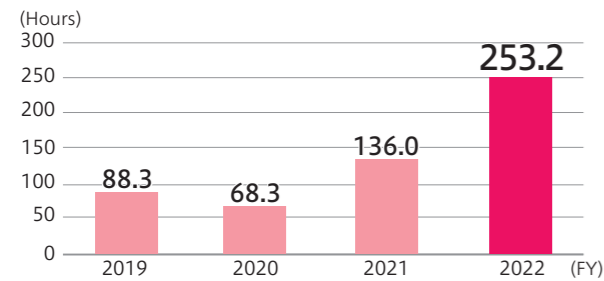
Improving capacity development training for employees

Having clarified required skills of employees necessary for them to acquire internal qualification or perform their duties and roles, we provide employees with education to learn such skills and develop human resources who can demonstrate such skills in their respective workplaces at high levels.

National competition (award) for beauty advisors to compete in their customer service skills

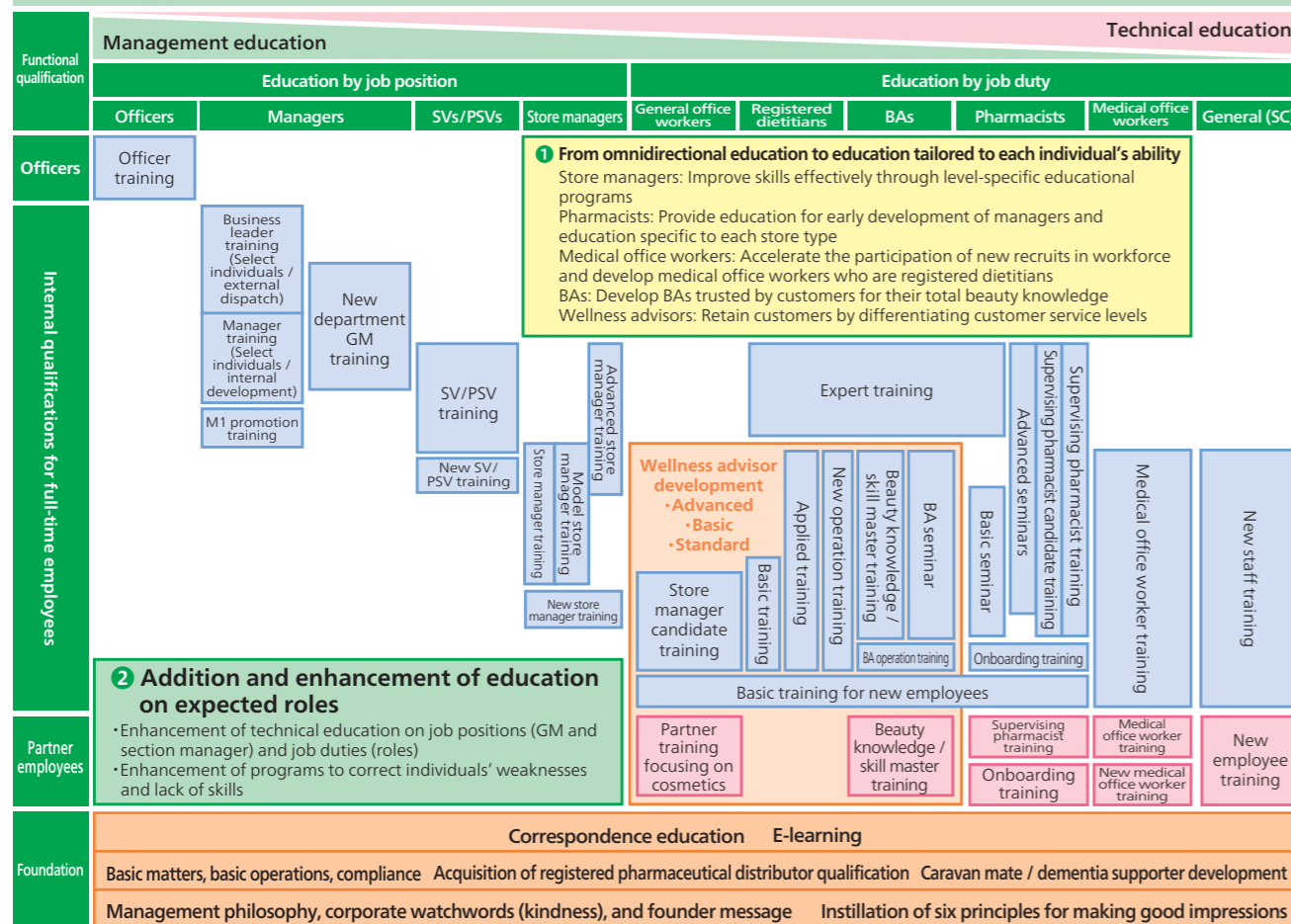


Training hours per full-time employee (annual)



SUGI Pharmacy education system

3 Improve skills through the integration of programs, evaluation, and education and education that is tailored to each individual

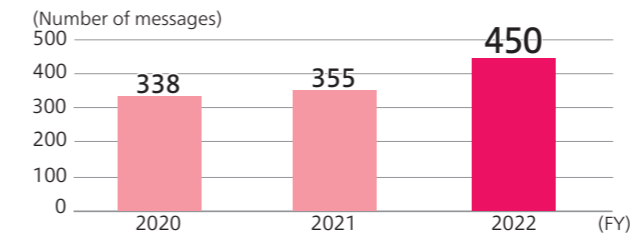


Promoting motivational management by visualizing performance and evaluation

■ Group award program

Employees who have delivered excellent performance by actions based on the Company's management philosophy are recognized at the year-end award ceremony. In addition, based on thank you messages received from customers on a daily basis, employees of relevant stores are recognized as appropriate. In FY 2022, 81 individuals were so recognized.

Number of thank you messages received by stores and employees from customers



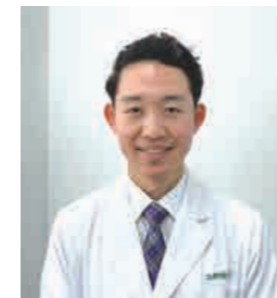
■ Provision of opportunities for growth through achievement presentation



■ Company award for young employees

We have a company award program for new graduates who have been with the Company for up to three years. Awards are given to employees who work on themes for each job and have achieved particularly good results. This program is used not only to make their own work more rewarding but also to learn about the work of their seniors, co-workers, and juniors, which leads to further skill development and improved engagement.

Interview



2nd year with the Company
Muro Store
(Toyohashi City, Aichi)

December 2022 pharmacist category awardee

Awardee's comment

The Muro Store to which I belong has many patients who come to visit the store and also focuses on home medical care. In cooperation with prescription dispensing staff and store staff, I work hard every day in order to provide maximum value to patients. I am very pleased with the award given to me as a re-

sult of my hard work on medication instructions and management for patients. Having a company-wide award program helps me understand the hard work of pharmacists of the same generation, which helps me to increase my motivation. I will continue to devote myself to becoming a pharmacist who is indispensable to patients.

Supervising pharmacist's comment

Mr. Zengoji is a pharmacist who can always think about what is necessary for patients and put them into action. His work has a positive effect on the whole store, and we are able to pursue high-value services for patients. With a goal to aim for, such as an award program, employees can make efforts based on a clearer goal, which not only helps individuals improve their skills but also produces positive effects on the whole store. We will continue to aim to become a store that can provide maximum value to patients.

Reform to Realize Healthy and Safe Working Styles

Promoting health management

The SUGI Pharmacy Group considers the promotion of employee health from a management perspective and is strategically working on health management. The Group has developed a promotion system to work on health management, made a health management declaration, and created a health management strategic map. We have been certified as an Excellent Health Management Company, the accreditation of which is given jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, for four consecutive years.

We are strengthening our efforts toward White 500 certification as the next step.



Health management declaration

Wishing for the happiness of each and every employee and customer and the happiness of all people, we are committed to increase their smiles.



SUGI Holdings Co., Ltd.
Representative Director & President

Katsunori Sugiura

The origin of this management philosophy is to realize the happiness of our employees.

In other words, this is the idea that when employees can work in a healthy, motivating, and lively manner, they can feel happiness and can also make customers in our local communities happy.

Based on this idea, we are promoting health management. As we are about to enter an era of the 100-year life, working to help our employees and all other people maintain and promote health is the mission of the SUGI Pharmacy Group, which prides itself on being a family pharmacy in local communities.

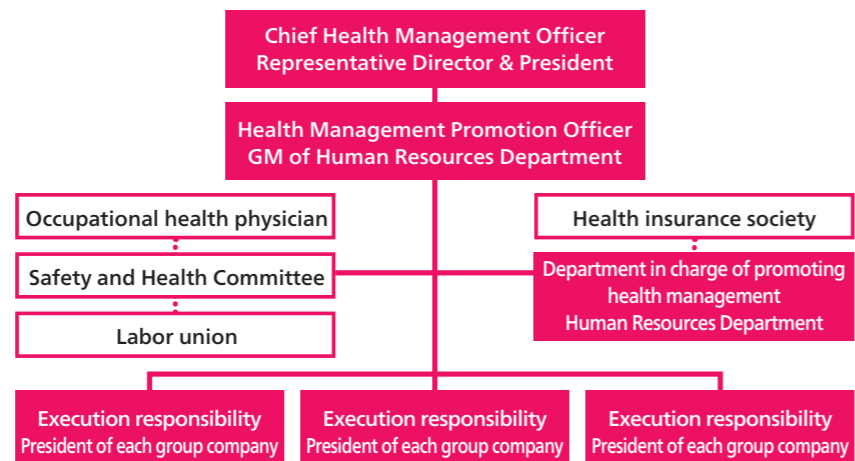
I myself tend to lead an irregular life. Therefore, I pay attention to the three meals and their menus every day and try to make time for weight training and walking at least once a week. Health invites a smile. For this reason, it is essential to work to create a company whose employees are full of smiles.

Based on the understanding above, we declare that we will review the health management promotion structure from the ground up and promote the creation of a healthy work environment in which employees strive to maintain and promote health on their own initiative and their smiles invite the smiles of people in local communities.

Health management promotion structure

In order to further promote health management, we have adopted a structure that can make more agile and flexible responses by appointing the President as the Chief Health Management Officer and having the president of each subsidiary assume execution responsibility for promotion.

Health management promotion structure chart

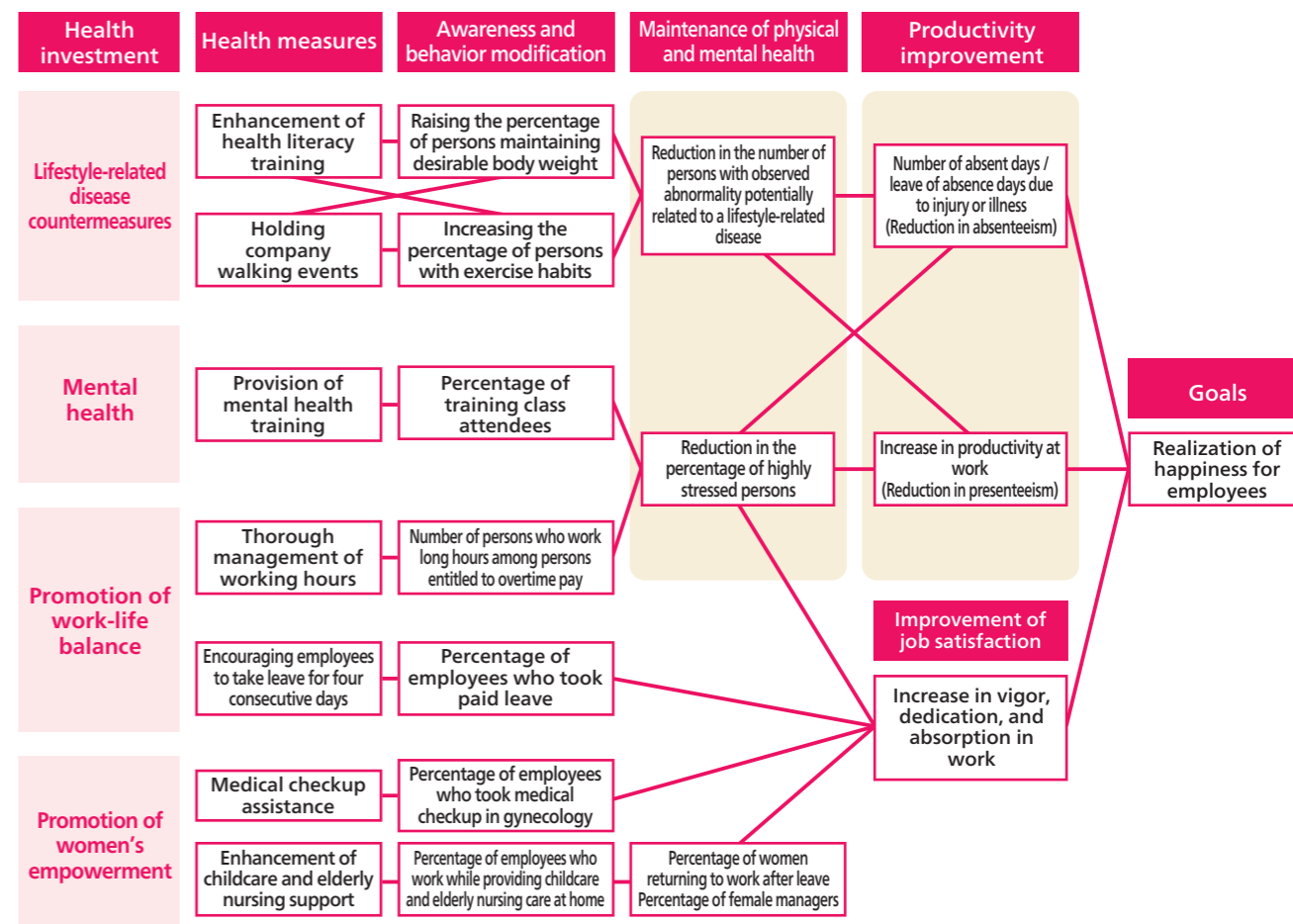


Health management strategic map

Based on the idea that employees can feel happiness when they can work in a healthy, motivating, and lively manner, we have formulated a health management strategic map that clarifies health management promotion activities and their indicators in order to realize the happiness of our employees.

We believe that employees' job satisfaction and motivation will improve further through company-wide promotion of physical and mental health.

Health management strategic map



Health management initiatives

We are implementing the following initiatives for the maintenance and promotion of employee health:

- Regular seminars on women's health for both internal and external audiences
- Specified health guidance provided by registered dietitians of the Company
- Walking events in which our SUGIsapo Walk app is used
- Health questionnaire
- Stress checks (annual)
- Establishment of the Anything Consultation Call Service for All Workplace Concerns to promote the early detection and prevention of issues related to mental and physical health and the reduction of employee turnover
- Encouraging employees to take leave for four consecutive days (twice a year)
- Expense assistance for cancer screening and gynecology checkup

Mechanisms to support the physical and mental health of employees

The Company established the "Mental Health Promotion Office" for employees in March 2007 for the first time in the industry, and the Office started its activities. By now, we have introduced various mechanisms in this area.

■ Establishment of a health consultation channel

This is a channel for consultation by email or telephone with external counselors. Employees can directly access this channel at any time without going through the Company, so they can use it with peace of mind.

■ Conducting stress checks

In order to prevent and detect any mental health problems at an early stage, we conduct stress checks annually. Employees can also conduct these checks from their smartphones, allowing them to easily monitor their own stress conditions. Stress checks are conducted to provide employees with the opportunity to notice their own stress and prevent any mental health problems and to improve a workplace environment that is causing them stress, thereby creating a comfortable workplace.

■ Consultation with doctors via chat or video call

This mechanism allows employees to easily consult doctors on technical matters anytime and anywhere, free of charge.

Strengthening employee engagement

■ Holding events for employees' families

During the pre-opening of a new store, we invite family members of our employees to an event to support their shopping. We hold these events so that families can learn about the environment in which each employee works every day and so that they become fans of SUGI Pharmacy.



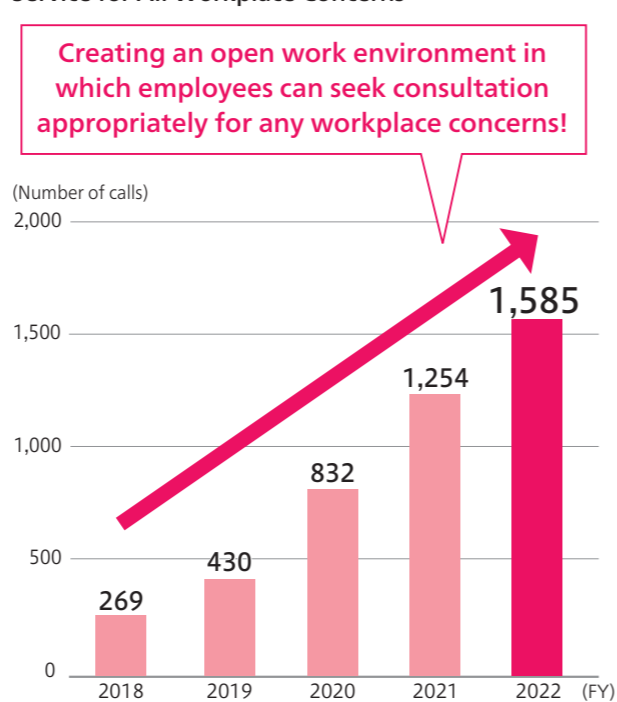
■ Self-declaration system

This system provides employees with opportunities to review their current career status and develop a future career development plan to clarify their future challenges. In addition, employees can communicate through this system to the Company any issues in the organization or store to which they belong as well as their personal concerns and worries. Based on the answers of each employee, we use it for the implementation of measures of the Company as well as for career development of employees, such as their personnel changes and training requirements. In FY 2022, we also started to measure work engagement by using the self-declaration system.

■ Establishment of a consultation channel to provide support for any kinds of workplace concerns that employees may have

We have established an external reporting channel to respond to any concerns, such as "I have a problem at the store"; "I have something I want to talk about"; "I have something I want the Company to address"; "This is wrong"; "I have something I cannot report to my boss and I want the Company to address"; "I want the Company to improve the work environment"; or "I am worried about my relationships with others." This is aimed at fostering peace of mind in employees as well as risk awareness that any harassment will be subject to admonition, in order to eliminate harassment and create good human relationships and a pleasant work environment. Any reports from employees to the Company are promptly addressed.

Annual number of calls to "Anything Consultation Call Service for All Workplace Concerns"

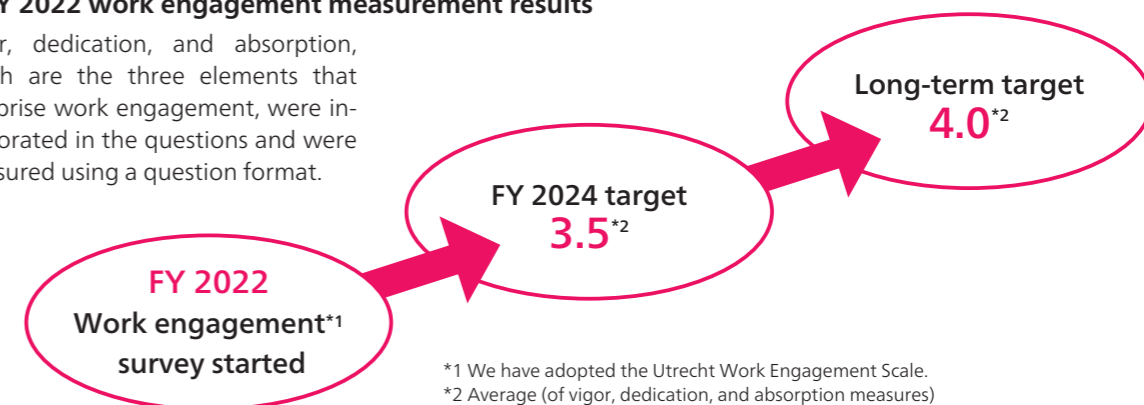


Improving the work environment based on employee work engagement

In FY 2022, the SUGI Pharmacy Group started to measure work engagement covering all employees in order to raise labor productivity, reduce employee turnover, revitalize the organization, and promote employee health.

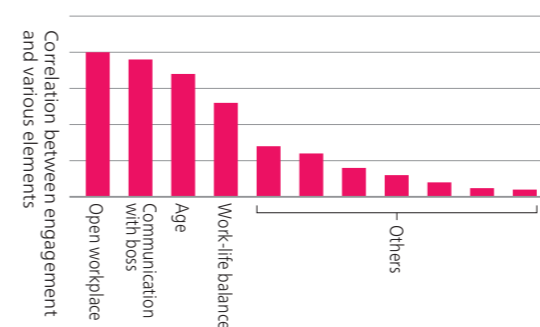
■ FY 2022 work engagement measurement results

Vigor, dedication, and absorption, which are the three elements that comprise work engagement, were incorporated in the questions and were measured using a question format.

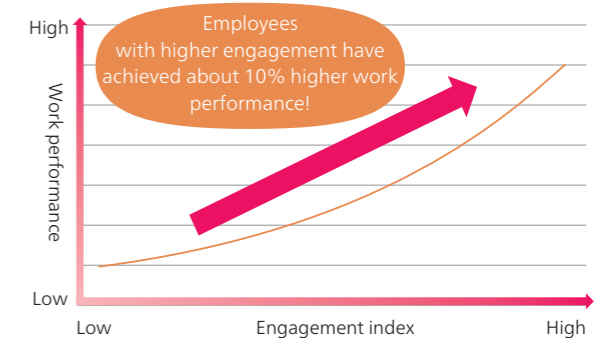


■ Engagement analysis

In order to raise work engagement, we have asked an external expert organization to analyze the correlation between work engagement and various elements (working environment, etc.) and the correlation between work engagement and work performance.



Correlation between Work Engagement and Various Elements (Working Conditions, etc.) for Supervising Pharmacists



Correlation between Work Engagement and Work Performance (Customer Service-related Additions and Cosmetics Sales)

For example, an analysis of supervising pharmacists has revealed that openness to proposals for business operation improvement, whether your boss cares for your needs, and work-life balance are highly correlated with engagement (see the graph to the left). As for the correlation with work performance, at stores to which supervising pharmacists and beauty advisors with high work engagement belong, work performance (number of customer service-related additions and cosmetics sales) was approximately 10% higher (see the graph to the right).

In view of the analysis results indicating that subordinates' engagement is affected by encouragement from the boss to subordinates, motivation, and the competency level of the boss's management, we are implementing measures to help improve engagement.

Response measures

- Personnel system reform**
 - Linking roles to evaluation and remuneration
 - Including engagement indicators in evaluation items
- Human resource development**
 - Clarifying skills and improving skills through training, OJT, personnel changes, and self-learning
- Compliance and corporate culture reform**
 - Eradicating long working hours, unpaid overtime, and harassment
 - Implementing officers' patrols around all stores and introducing an employee proposal system
- On-site subordinate management**
 - Thorough training of subordinate management techniques

Utilization of Diverse Human Resources

Preparing fields and opportunities with a focus on diversity

The SUGI Pharmacy Group will make serious efforts to enhance diversity and inclusion (mutual acceptance and recognition of differences as strengths).

Introduction of a program to allow employees to choose to live and work away from home

In FY 2022, we introduced a program to allow employees who can work remotely to choose either to combine business trips with remote working or to live and work away from home (CHOISE). This program helps employees realize diverse work styles that are not constrained by time and place or their family relationships, which have previously been restricted by living and working away from home, promoting the retention and development of excellent human resources.

Work arrangements in anticipation of the era of a 100-year life

We have extended the mandatory retirement age to 65 for full-time employees and 70 for contract employees and partner employees. In addition, we have made it possible for those who are 70 to 75 years old to work as senior partner employees on reduced working hours.

SUGI Smile's efforts

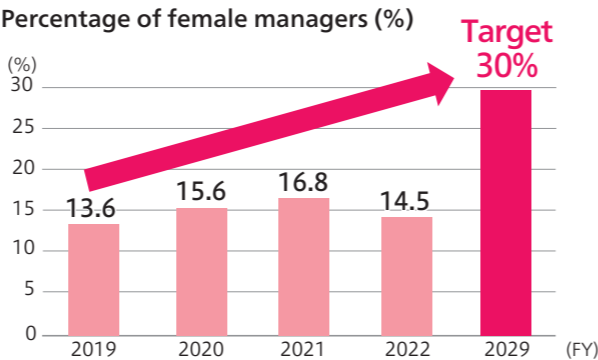
Ten in-house job coaches and 32 career counselors provide operational guidance and daily support to 248 employees with disabilities working at nine offices nationwide. At stores, these employees perform cleaning and arrange products on shelves, while at our headquarters, they sort articles to be sent, perform cleaning, and ship products to support logistics.

Percentage of disabled employees (FY 2022 SUGI Pharmacy Group)
2.58%



Increasing the ratio of female managers

Developing services to address the needs of diverse customers and patients based on the ideas and perspectives of diverse people, including female employees, is indispensable for the sustainable growth of the Group. Therefore, we are strengthening our efforts for human resource development and improvement of the workplace environment so as to increase the ratio of female managers to 30% by the end of FY 2029. Regarding human resource development, we train employees to obtain and practice the skills needed to discover and resolve essential challenges, communication and leadership skills, knowledge of products, specialized and managerial knowledge, and technical skills. Regarding the improvement of the workplace environment, we focus on improving the benefits package and encouraging each employee to present their opinions to the Company, thereby reinforcing support for employees.



Future initiatives toward women's empowerment

- Strengthen activities to recruit women
- Correct the gender gap in wages
- Expand the scope of employment for women
- Provide awareness training for managerial promotion
- Strengthen promotion to full-time employee
- Create an environment that makes it easier to take parenting leave



Enhancement of maternity leave, parenting leave, and reduced working hours program

We have introduced various support programs concerning pregnancy, childbirth, and childcare, aiming to create a work environment in which employees can balance work and childcare.

In addition to enhancing maternity leave and parenting leave, we have introduced a reduced working hours program for childcare in order to make it easier for employees to work after returning from such leave. This program can be used until the child completes the sixth grade of elementary school, which creates a work environment in which it is easier for employees to return to work from parenting leave and continue to work. In order to support further empowerment of women, we also focus on raising the percentage of male employees who take parenting leave. It has already exceeded the previous target of 30%, and we aim to raise it further going forward.

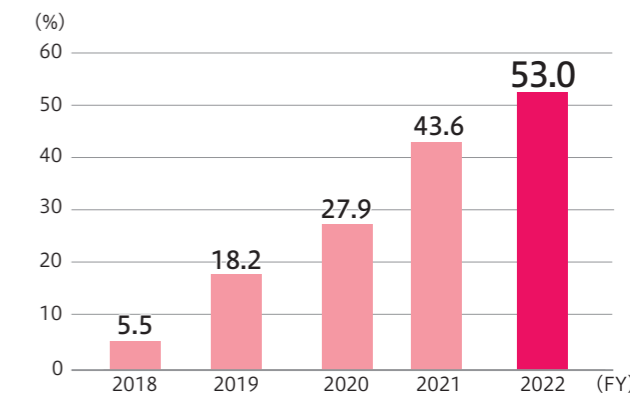
Certified as a Platinum Kurumin company

SUGI Pharmacy has been certified as a Platinum Kurumin business operator. This certification is granted to general employers who conform to the designated standards regarding parenting support.

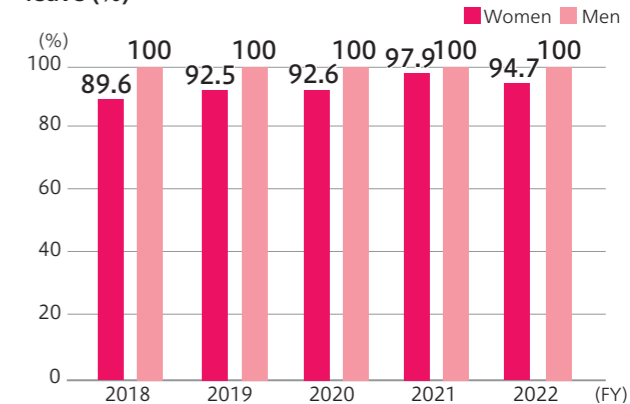
In FY 2022, 448 employees (369 women and 79 men) took parenting leave, with the percentage of those returning to work after their leave reaching 95.2% (94.7% of women and 100% of men).



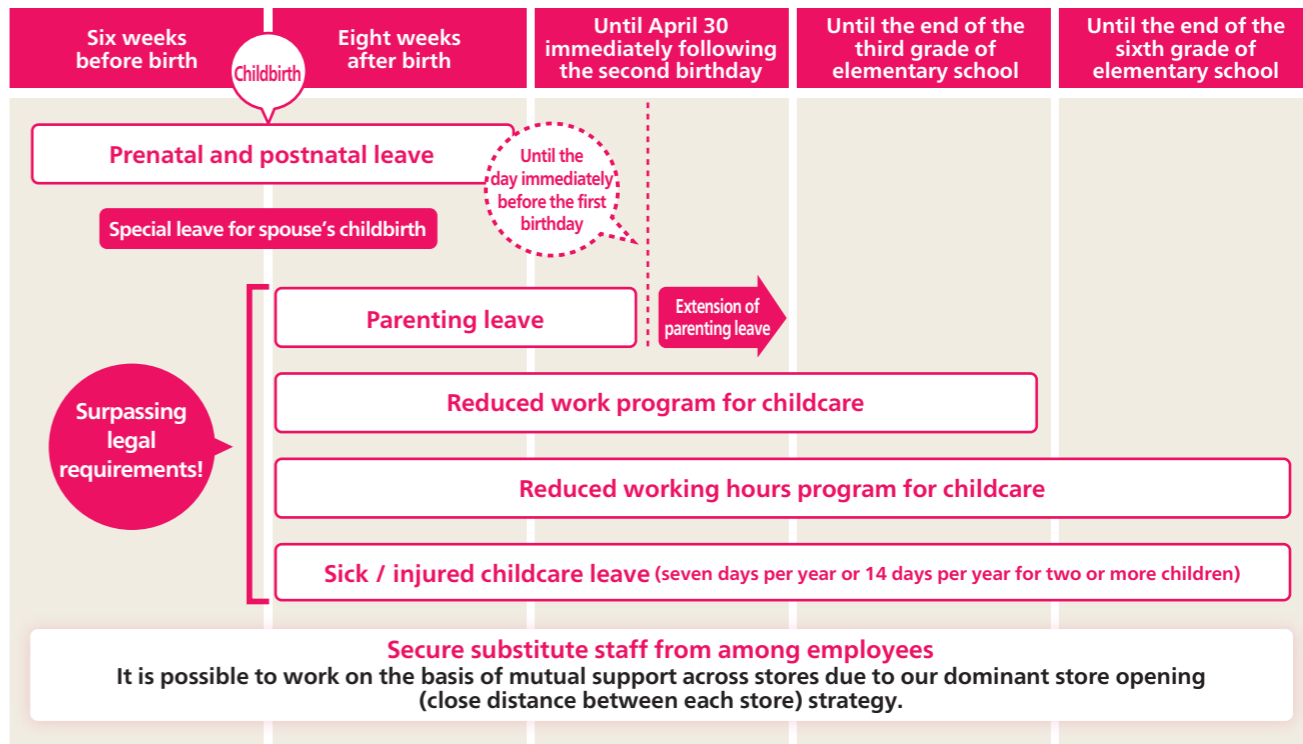
Percentage of male employees who took parenting leave (%)



Percentage of those returning to work after parenting leave (%)



Support programs that accommodate diversity



Interview

By implementing a human resource strategy that faces each employee on an individual basis, we aim to realize the Total Healthcare Strategy.



General Manager, Human Resources Department and General Manager, Legal Affairs Office, SUGI Holdings Co., Ltd.
 Director and General Manager, Administration Division, Sugi Pharmacy Co., Ltd.
 Representative Director & President, SUGI Smile Co., Ltd.
 Representative Director & President, MCS Co., Ltd.
Shigeki Mori

Having identified “employees are the most important assets,” “working to improve the job satisfaction of each employee,” and “aiming to achieve the management philosophy, growth strategy, and budget by drawing out the strengths of each employee” as important perspectives of human resource management, the SUGI Pharmacy Group aims to become a company that is needed for the long term by integrating them into management strategy. And the Group promotes human capital management under

the six pillars of “employee satisfaction,” “human resource development,” “recruitment and retention,” “compliance and corporate culture reform,” “diversity,” and “health and safety.” We work to achieve sustainable growth by realizing the Total Healthcare Strategy, which is our group vision, and through “kind behavior,” “contribution to local communities,” and “happiness and smiles of employees,” which are the tenets of the Group’s management philosophy.



Improving job satisfaction through personnel system reform

In FY 2022, we enhanced our health and employee health and welfare benefits, including the extension of mandatory retirement ages, retirement benefits, and the introduction of group life insurance. Partly due to these system revisions, employee awareness survey results show a significant increase in motivation for promotion from before. Among other achievements that we are steadily making, job satisfaction among managers as measured by the engagement score has exceeded the levels of other companies, and employee turnover has been declining every year.

On the other hand, awareness survey results included many voices calling for improvements, such as performance-linked bonuses and fair evaluation of performance separately for individual roles, such as store managers and pharmacists, rather than sweeping evaluation according to qualification grades. In view of these results, recognizing the need for further personnel system revisions, we will push forward with personnel system reform under the concept of “facing each employee on an individual basis.”

Human resource development that cares for the needs of each employee

In order to ensure that each employee is assigned to a position where they can demonstrate their abilities, we place the right persons in the right positions after visualizing their skills gained through education. To this end, our current education programs, which are uniform and stratified programs, will be replaced with education programs that are tailored to each employee by measuring the current level of each employee through external assessment, in-house manual tests, etc., and teaching specific skills that are lacking. In addition, we will work to evolve the education programs into those through which each employee can feel their growth by combining development through learning toward the acquisition of official qualifications, which is aimed at developing a culture of self-improvement, with development through personnel changes for employees to gain experience at various stores in terms of size and location (suburbs / urban center).

Securing human resources through recruitment and retention

We formulate human resource strategies by focusing mainly on strengthening the recruitment of new graduates and mid-career hires with relevant experience and preventing employee turnover. For the recruitment of new graduates, we strengthen the recruitment of pharmacists, registered pharmaceutical distributors, and medical office workers, in particular to correct company-wide uneven distribution of human resources across areas by strengthening the recruitment in areas where there is a shortage of human resources. For the recruitment of mid-career hires with relevant experience, we strengthen the recruitment of pharmacists and registered pharmaceutical distributors and strategically hire persons with strong expertise, particularly in such technical fields as medical care, development, products, international business,

and administration to promote the Group’s growth strategy. Also for the recruitment of partner employees, we strive to secure excellent human resources by setting hourly wages at appropriate levels and changing recruitment advertising media. As for the prevention of employee turnover, we have made a significant achievement over the last five years as a result of company-wide retention activities.

Developing an open corporate culture

In FY 2022, the number of consultation requests concerning harassment received through the consultation call service decreased by two thirds from the previous fiscal year. In FY 2023, we will continue to strictly deal with any harassment and respond to all reports to the consultation call service without exception. In order to further improve our working environment, we have strengthened measures to address long overtime hours. In addition, as part of corporate culture reform, we have been conducting rounds of all stores by all officers and an anonymous questionnaire with all employees since FY 2021. We are working to develop an open corporate culture in which management diligently listens to the opinions of employees and the voice of each employee reaches management.

Promotion of diversity management

Employee questionnaire survey results show that more than 90% of store employees answered that they prioritize not only work but also life, and more than 70% of managers answered that work-life balance is important for them. Many employees, whether they are general office workers or managers, answered that they would like to work in their local communities rather than work on nationwide assignment and would like to take holidays and paid leave and work systematically within their regular working hours. This shows that our challenge for the future is to strengthen sales capability and increase productivity at the same time while maintaining and improving subordinates’ motivation and engagement.

Women’s empowerment is essential for us to develop services to meet the needs of customers and patients based on diverse ideas and from diverse perspectives. We will create a work environment in which it is easier for women to demonstrate their abilities by enhancing employee health and welfare benefits and promoting work style reform, and we aim to raise the percentage of female managers to 30% by the end of FY 2029.

Promotion of healthy and safe management

We have been certified as an Excellent Health Management Company for three consecutive years and will further promote health management, aiming to receive White 500 certification as the next step.

Based on the basic understanding that “people are assets,” the SUGI Pharmacy Group will work hard to achieve its group vision and realize its management philosophy while implementing its human resource strategy by facing each employee on an individual basis.

Corporate Governance

To become a company needed by society, the Company has been working on achieving sustainable growth and the improvement of its medium- to long-term corporate value in collaboration with its stakeholders. To that end, we continue to strengthen our corporate governance by improving the soundness and transparency of our management.



Basic Views on Corporate Governance

Based on our management philosophy, we believe that we should contribute to society by effectively utilizing the assets and resources we have borrowed from society, such as people, products, stores, money and information, and returning profits to society. To that end, we regard the enhancement of corporate governance as one of the highest priorities of our management. We have also established a basic policy for the purpose of being a sound and highly transparent listed company that provides accurate infor-

mation to all stakeholders and of promoting profitable and effective management. We also endeavor to improve and further develop our corporate governance by continuously examining the content of the basic policy.

Click the website below for the SUGI Pharmacy Group Corporate Governance Basic Policy.



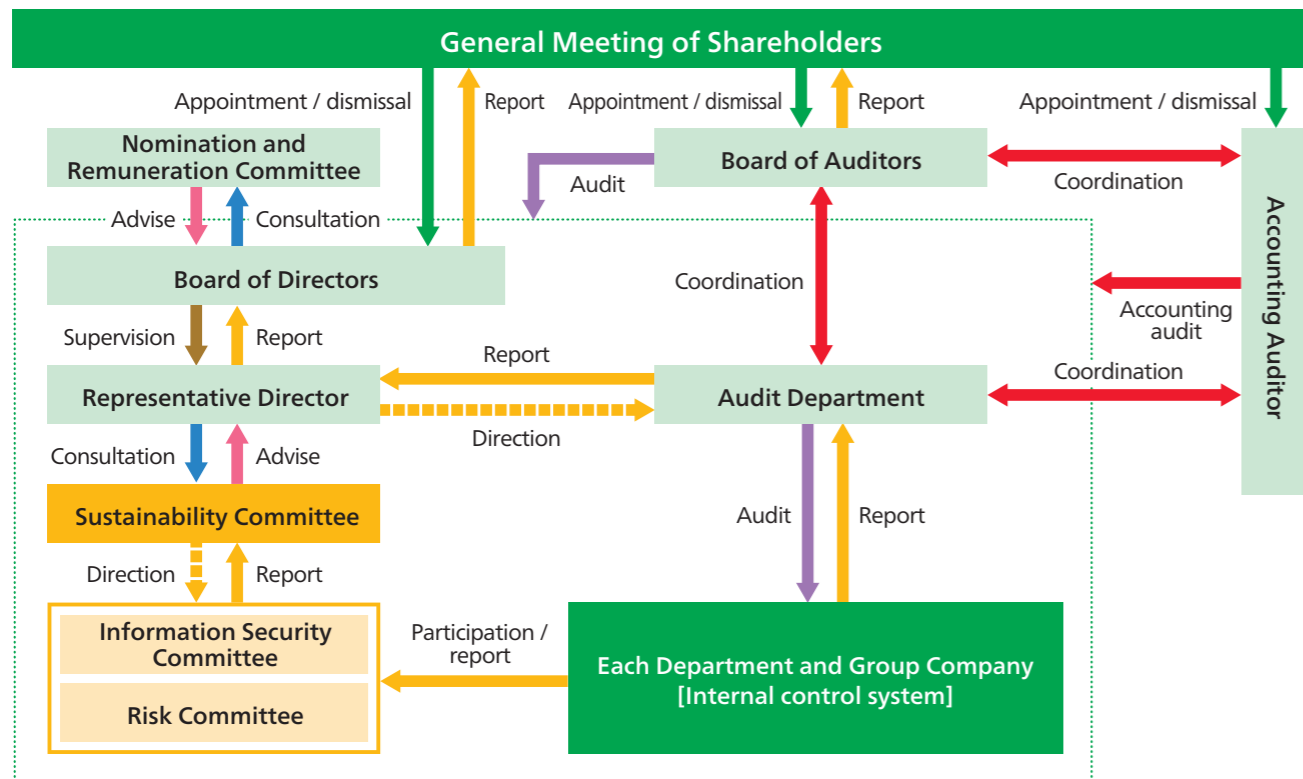
URL: https://www.sugi-hd.co.jp/ir/english/pdf/cg_basicE.pdf

Corporate Governance System

The Company has chosen to adopt a corporate structure as a company with a Board of Auditors. In addition to the Board of Directors, comprising five Directors (including two External Directors),* and the Board of Auditors, we have also established a Nomination and Remuneration Committee as an advisory organization to the Board of Directors concerning the nomination of and remuneration for Directors and Auditors. We have also separated the functions of decision-making and supervision of management from business execution, thus enhancing flexibility in our business execution by delegating authority to the management team except in matters to be determined by the Board of Directors, in accordance with laws and regulations, the Articles of Incorporation, and internal rules.

*As of May 30, 2023

Diagram of the Corporate Governance System



Board of Directors / Board of Auditors

Composition of the Board of Directors

The Board of Directors consists of diverse directors in terms of background, such as expertise, experience and gender. The number of Directors is maintained at an appropriate level in accordance with the provisions of the Articles of Incorporation in order to ensure that the Board of Directors functions most effectively and efficiently from the following viewpoints:

- (1) Sufficient diversity should be secured to conduct decision-making and supervision of management.
- (2) The Board of Directors Discussions should engage in active discussion on relevant matters, including concerns raised by the Independent External Directors.

In principle, at least one-third of the Directors are required to be Independent External Directors in order to make use of their abundant experience and expertise outside the Company for the management of the Company and, at the same time, to strengthen the supervisory function of the Board of Directors and improve the transparency of management.

Number of Directors	5
Number of Directors who are External Directors	2
Number of External Directors designated as independent officers	2

(As of May 30, 2023)

Composition of the Board of Auditors

The number of Auditors is as provided for in the Articles of Incorporation, and a majority of Auditors shall be External Auditors. Persons with the insight, high ethical standards, objectivity and integrity required of Auditors will be appointed. In particular, at least one person with expertise in finance, accounting and legal matters will be selected.

Number of Auditors	3
Number of Auditors who are External Auditors	3
Number of External Auditors appointed as independent officers	3

(As of May 30, 2023)

Roles of the Board of Directors

The Board of Directors performs its supervisory functions by realizing highly effective corporate governance. In addition, it pursues the sustainable growth of corporate value by making the best decisions, using objective judgment and appropriately exercising its authority.

- (1) The Board of Directors makes important managerial decisions in accordance with laws, ordinances, the Articles of Incorporation and internal rules, and it supervises business execution.
- (2) After precisely understanding the cost of capital of the Company, the Board of Directors formulates manage-

ment strategies and management plans, taking into consideration the management philosophy and changes in the external environment, and discloses their outline. As for the formulated management strategies and management plans, the Board of Directors annually checks and analyzes the progress status, reviews the business portfolio, and revises, as needed, the management resource distribution plans, including new investments, the establishment of new stores, system investments, and investments in human resource development.

- (3) The Board of Directors is proactively involved in the formulation and operation of educational programs aimed at finding and developing capable Directors and top management for the Group, including its operating subsidiaries. Furthermore, based on the management philosophy and management strategies, the Board of Directors appropriately supervises the content of the programs and subsequent development through post-program assignment and promotion of the participants in the programs.

- (4) The Board of Directors delegates its decision-making to the Representative Directors in terms of business execution of matters other than those matters that should be decided by the Board of Directors, in accordance with laws and regulations, the Articles of Incorporation, and internal rules.

- (5) As for the meetings of the Board of Directors, each Director and Auditor shall secure an attendance rate of at least 80%.

Roles of the Board of Auditors

As an organization independent from the management team, the Board of Auditors performs audits concerning the Directors' business execution, the internal control system, accounting, and other matters.

- (1) The Board of Auditors prepares a standard for appropriate evaluation of the Accounting Auditor. On an annual basis, the Board of Auditors evaluates the independence and expertise of the Accounting Auditor, based on the standard, and decides the details of the proposal for the General Meeting of Shareholders concerning the appointment or dismissal of the Accounting Auditor.
- (2) The Board of Auditors secures sufficient cooperation of External Directors so that they can smoothly collect information while maintaining their independence.
- (3) The Board of Auditors collects necessary and sufficient information to perform appropriate audits by securing the cooperation of the Internal Audit Department, the Finance and Accounting Department, the Legal Department, and other departments concerned.

Career Summary and Reasons for Appointment of Directors (As of May 30, 2023)

 <p>Eiichi Sakakibara Representative Director & Chairman Date of birth: August 14, 1956</p>	<p>September 1986: Joined the Company September 2008: Managing Director, Sugi Pharmacy Co., Ltd. March 2011: Representative Director & President, Sugi Pharmacy Co., Ltd. March 2017: Representative Director & Chairman, Sugi Pharmacy Co., Ltd. (to date) May 2017: Representative Director & President, SUGI Holdings Co., Ltd. May 2021: Representative Director & Chairman, SUGI Holdings Co., Ltd. (to date)</p>	<p>Mr. Eiichi Sakakibara, as Representative Director of the Company and Sugi Pharmacy Co., Ltd., has led the Group and carried on its management philosophy, while fulfilling his responsibilities with his profound insights and extensive experience in the drugstore industry, by actively working on, for example, the selection of items and the creation of stores that suit the changing lifestyle of consumers and the improvement of customer services. Based on the judgment that his management track record, broad business knowledge, and leadership for sustainable improvement of corporate value will significantly contribute to the further development and expansion of the Group, we reappointed him as Director.</p>
 <p>Katsunori Sugiura Representative Director & President Date of birth: October 14, 1978</p>	<p>March 2006: Joined the Company March 2011: Managing Director, Sugi Pharmacy Co., Ltd. March 2014: Representative Director & President, SUGI Smile Co., Ltd. March 2017: Representative Director & President, Sugi Pharmacy Co., Ltd. (to date) May 2018: Representative Director & Senior Vice President, SUGI Holdings Co., Ltd. May 2021: Representative Director & President, SUGI Holdings Co., Ltd. (to date)</p>	<p>Mr. Katsunori Sugiura, as Representative Director of the Company and Sugi Pharmacy Co., Ltd., has been involved in management while fulfilling his responsibilities by actively working on, for example, the formulation of a business strategy to realize the "Total Healthcare Strategy" designed to provide comprehensive support to customers, from the maintenance of health and prevention of disease to nursing care and terminal care, a DX (digital transformation) strategy, new businesses both in Japan and overseas, and corporate value improvement through the promotion of the SDGs. Based on the judgment that his business knowledge and leadership for sustainable improvement of corporate value will significantly contribute to the further development and expansion of the Group, we reappointed him as Director.</p>
 <p>Shinya Sugiura Director & Senior Vice President Date of birth: November 30, 1979</p>	<p>April 2004: Joined the Company March 2010: Director, Sugi Pharmacy Co., Ltd. March 2011: Director, SUGI Medical Co., Ltd. March 2017: Managing Director, Sugi Pharmacy Co., Ltd. May 2017: Director, SUGI Holdings Co., Ltd. May 2021: Representative Director & President, SUGI Medical Co., Ltd. (to date) December 2021: Representative Director & President, SUGI Nursing Care Co., Ltd. March 2023: Director & Senior Vice President, Sugi Pharmacy Co., Ltd. (to date) May 2023: Director & Senior Vice President, SUGI Holdings Co., Ltd. (to date)</p>	<p>Mr. Shinya Sugiura, as Director & Senior Vice President of Sugi Pharmacy Co., Ltd., supervises the sales division while fulfilling his responsibilities by actively working, as Representative Director of SUGI Medical Co., Ltd., on the formulation of a medium- to long-term strategy for the healthcare business and leading various related collaborative initiatives with companies in other industries and the improvement of value-added of the pharmacies with the function of prescription dispensing, leveraging his experience and knowledge in the area of healthcare business. Based on the judgment that his knowledge and experience will significantly contribute to development of the core business of the Group, we reappointed him as Director.</p>
 <p>Shigeyuki Kamino External Director Date of birth: May 23, 1947</p>	<p>April 1970: Joined Nagoya Railroad Co., Ltd. May 2007: Representative Director, Mie Sangyo Co., Ltd. (to date) June 2008: Representative Director & Senior Vice President, Nagoya Railroad Co., Ltd. April 2009: Representative Director & President, MEITETSU Department Store Co., Ltd. May 2012: Chairperson, Chubu Department Store Association May 2015: Director, SUGI Holdings Co., Ltd. (to date)</p>	<p>Mr. Shigeyuki Kamino has been involved in the management of other companies for many years. Based on his abundant experience in and knowledge of management, he has actively made remarks and recommendations during deliberations of the Board of Directors' meetings, and he has also served as Chair of the Nomination and Remuneration Committee. Based on the judgment that his appropriate supervision and advice from a high-level, independent standpoint supported by his profound insights and supervisory capability in the areas of corporate management, business strategies, and organizational and human resource management will significantly contribute to the further development and expansion of the Group, we reappointed him as External Director.</p>
 <p>Yoshiko Hayama External Director Date of birth: October 7, 1959</p>	<p>April 1983: Joined The Fuji Bank, Limited (currently, Mizuho Bank, Ltd.) March 1994: Registered as a Certified Public Accountant January 2015: Representative, Yoshiko Hayama Certified Public Accountant Office (to date) May 2016: Director, SUGI Holdings Co., Ltd. (to date) August 2016: Fellow Member, The Japanese Institute of Certified Public Accountants (to date) June 2017: External Director, COCO'S JAPAN CO., LTD. May 2018: External Auditor, Adastria Co., Ltd. (to date) March 2020: External Director, Dynac Holdings Corporation (Member of the Audit and Supervisory Committee) June 2020: External Director, Zensho Holdings Co., Ltd. (to date) May 2023: External Auditor, BELLSYSTEM24 Holdings, Inc. (to date)</p>	<p>Ms. Yoshiko Hayama has abundant experience and professional knowledge developed by serving as a certified public accountant and an external director and external auditor of listed companies. She has also actively made remarks and recommendations during deliberations of the Board of Directors' meetings. We expect from Ms. Hayama appropriate supervision and advice based on her strong expertise in finance and accounting and profound insights in the areas of legal affairs, compliance, and risk management, from the viewpoint of an independent officer, and thus reappointed her as External Director.</p>

Career Summary and Reasons for Appointment of Auditors (As of May 30, 2023)

 <p>Toshihiko Sakamoto External Full-time Auditor Date of birth: October 25, 1946</p>	<p>October 2001: General Manager, Finance and General Affairs Division, Nagoya Branch, ITOCHU Corporation June 2006: Representative Director & President, C&S Co., Ltd. June 2009: Senior Managing Director in charge of human resources, finance and accounting and information systems, ITOCHU Sugar Co., Ltd. May 2012: Auditor, SUGI Holdings Co., Ltd. March 2017: Auditor, Sugi Pharmacy Co., Ltd. (to date) May 2017: Full-time Auditor, SUGI Holdings Co., Ltd. (to date)</p>	<p>Mr. Toshihiko Sakamoto has been involved in business management at other companies and has abundant experience in and knowledge of management. Furthermore, he took office as an Auditor of the Company in May 2012 and is familiar with the business of the Company. We have judged that he is capable of conducting strict audits of the Company's business from an objective viewpoint by applying his profound insights concerning corporate management and knowledge of the overall management of the Company, and thus we appointed him as External Auditor.</p>
 <p>Kana Yasuda External Auditor Date of birth: April 10, 1969</p>	<p>October 1993: Joined KPMG Century Audit Corporation (currently, Ernst & Young ShinNihon LLC) April 1997: Registered as a Certified Public Accountant March 2000: Established Yasuda Tax & Accountant Office, Director (to date) March 2004: Registered as a Certified Public Tax Accountant September 2009: External Auditor, Shinpo Co., Ltd. May 2010: Auditor, SUGI Holdings Co., Ltd. (to date) June 2016: External Director, GEO HOLDINGS CORPORATION (to date) June 2019: External Director, Chuo Spring Co., Ltd. (to date) June 2020: External Director (Member of Audit and Supervisory Committee), KONDOTEC INC. (to date) September 2021: External Director, Monogatari Corporation (to date)</p>	<p>Ms. Kana Yasuda has engaged in a wide range of business fields, including accounting audits for business corporations, as a certified public accountant and a certified public tax accountant, also serving as an external auditor and an external director for listed companies. We have appointed Ms. Yasuda as External Auditor, expecting her to conduct strict audits from an independent standpoint, supported by her strong expertise in the areas of accounting and tax and abundant experience in the areas of legal affairs, compliance, and risk management.</p>
 <p>Makoto Kamiya External Auditor Date of birth: January 7, 1964</p>	<p>August 1988: Joined Tohmatsu & Co. (currently, Deloitte Touche Tohmatsu LLC) March 1993: Registered as a Certified Public Accountant May 2002: Partner, Tohmatsu & Co. (currently, Deloitte Touche Tohmatsu LLC) April 2004: Registered as a Certified Public Tax Accountant Partner, Tohmatsu Tax Co. (currently, Deloitte Tohmatsu Tax Co.) October 2005: Representative Partner, Tohmatsu Tax Co. (currently, Deloitte Tohmatsu Tax Co.) July 2007: Managing Partner of Nagoya Office, Tohmatsu Tax Co. (currently, Deloitte Tohmatsu Tax Co.) May 2020: Director, Kamiya Makoto Certified Public Accountant, Certified Public Tax Accountant Office (to date) Auditor, SUGI Holdings Co., Ltd. (to date) Auditor, Mizkan Asset Co., Ltd. (to date) June 2020: Auditor, Yamazaki Mazak Capital Co., Ltd. (to date) June 2022: Auditor, Amano Enzyme Inc. (to date)</p>	<p>Mr. Makoto Kamiya has professional knowledge and abundant experience developed as a certified public accountant and certified public tax accountant. We have judged that he is capable of appropriately fulfilling the duties of External Auditor by applying a high level of expertise from his independent standpoint, and thus we appointed him as External Auditor.</p>

Skills Matrix

	Name	Corporate Management	Business Strategy	Organization / Human Resources	Legal Affairs / Compliance / Risk Management	Finance / Accounting	Healthcare
Director	Eiichi Sakakibara	●	●				●
	Katsunori Sugiura	●	●				●
	Shinya Sugiura	●	●				●
	Shigeyuki Kamino	●	●	●			
	Yoshiko Hayama				●	●	
Auditor	Toshihiko Sakamoto				●	●	
	Kana Yasuda				●	●	
	Makoto Kamiya				●	●	

Training program (for officers, including those of major subsidiaries)

We continuously provide opportunities for External Directors and External Auditors to share our management philosophy, management plan, business overview, finance, organization, etc. We offer training programs for Directors, Auditors and Directors of the major subsidiaries concerning relevant laws, finances, corporate governance, risk management, etc. when they newly take office. After they take office, we continuously provide or mediate training opportunities according to their duty, capability and experience, and we offer them financial support for the cost.

Content of the training programs (FY 2022)

Domestic and overseas economic status	Marketing
Trend of capital markets	Legal affairs and corporate governance
Trend of medical systems	Corporate Governance Code
Sustainability management	Compliance training
ESG	Risk management
Management strategy	Organization and HR management and leadership
Management and finance	Digital transformation

Effectiveness Evaluation of the Board of Directors

Effectiveness evaluation of the Board of Directors

For the purpose of securing further effectiveness and improving the functions of the Board of Directors, we implement an effectiveness evaluation of the Board of Directors. We conduct a written questionnaire survey and hold interviews on the self-evaluation with all the Directors and Auditors concerning the effectiveness of the Board of Directors in terms of its structure, operation and agenda, as well as the systems to support the Board of Directors, management strategy, and challenges.

Based on the results of the questionnaire survey, we implement constructive discussions for future initiatives by sharing the evaluation results of the current status and challenges within the Board of Directors.

Outline of evaluation results

The effectiveness evaluation conducted in the fiscal year ended February 28, 2023 indicated that effectiveness of the entire Board of Directors was secured at a high level, and corporate strategies and medium- to long-term plans, including digital transformation, were properly shared among board members. The evaluation results also indicated that discussions on medium- to long-term strategies, digital transformation, and ESG initiatives in the fiscal year ended February 2023 were even livelier

than in the prior year.

In addition, constructive opinions were submitted to and discussed by the Board of Directors in order to secure higher effectiveness on such topics as further enhancement of discussion on management opportunities and risks, improvement of training programs for Directors and candidates for Directors, and enhancement of information sharing to facilitate monitoring by the Board of Directors.

Future initiatives

In order to secure higher effectiveness, we will take such measures as the formulation of response measures in view of changes in the external environment, such as the economy, environment, and healthcare system, enhancement of training for Directors and candidates for Directors, and timely sharing of the latest information on changes in laws and government programs.

Interview



External Director, SUGI Holdings Co., Ltd.
Shigeyuki Kamino X Yoshiko Hayama

It has been eight years since Mr. Kamino assumed office as Director and seven years since Ms. Hayama assumed office as Director. Please tell us about the progress in effectiveness improvement of the Board of Directors during that period.

Kamino: The Board of Directors, which includes External Directors, consists of members with diverse expertise, and its composition is appropriate from the perspectives of size and diversity.

In recent years, reports and proposals on medium- to long-term group strategies, healthcare strategies, digital transformation, and ESG are put on the agenda of the meetings of the Board of Directors on a timely basis for its lively discussions. As it is important for the Board of Directors to pass resolutions after having discussions from multiple perspectives based on the diverse experience and insights of each Director, I make sure to actively state my opinions while sometimes encouraging internal members to speak up. We also had much discus-

Remuneration of Directors and Auditors

Policy for determining the contents of remunerations of individual Directors

After a draft proposal was deliberated by the Nomination and Remuneration Committee, the majority of which consists of independent External Directors and Auditors, a policy for determining the contents of remunerations of individual Directors was approved by the Board of Directors. The Board of Directors has also determined that the remuneration of individual Directors for FY 2022 was in line with the determination policy mentioned above because the policy for determining the contents of remuneration and the contents of remuneration determined were based on the determination policy approved by the Board of Directors and were determined after they were deliberated by the Nomination and Remuneration Committee.

Basic policy

In order to determine the remuneration of Directors, the Company has established basic amounts for each position, based on a design that has been developed by using data provided by specialized external organizations as well as publicly available data and taking into consideration the remuneration levels of industry peers and companies in other industries. More specifically, our basic policy is to ensure that the remuneration of Directors other than External Directors functions as an incentive for them to pursue sustainable improvement of the Company's corporate value by adopting a remuneration package that includes performance-based remuneration based on the financial results of the Company for each fiscal year and non-monetary remuneration (restricted stock), as well as fixed remuneration. On the other hand, the remuneration of External Directors consists only of fixed remuneration in

view of their roles and independence.

The remuneration of Auditors consists only of fixed remuneration (monthly fixed remuneration), which is deliberated by the Nomination and Remuneration Committee and determined through consultation within the Board of Auditors within the limit on their remuneration approved by the General Meeting of Shareholders.

Policy for determining the amount of fixed remuneration (monetary remuneration) of individual Directors

The fixed remuneration of the Directors of the Company shall be fixed monthly remuneration and shall be determined in accordance with each individual's position, contribution, etc., and in comprehensive consideration of the levels of salaries and other remuneration of the employees of the Company as well as public standards.

sion on such topics as the opening and closing of stores, investment in human capital, and risk management based on various perspectives and objective evidence, such as numerical data that are relevant to each topic.

While the external environment surrounding corporate management is changing more rapidly than before, the Company will promote management that is sustainable over the long term in order to conform to its management philosophy that should not change while at the same time adapting to changes in the times under the spirit of "immutability and fluidity." To this end, I will endeavor to fulfill my responsibilities as External Director by supervising and supporting the steering of management



while monitoring the actual conditions of the Company by site visits and other means.

Hayama: Meeting materials are shared more in advance than before, and detailed explanations are provided by the Secretariat in advance through web meetings, etc. As a

result, board members can understand each agenda sufficiently.

We have increasing opportunities to discuss high-level strategies. Although there are issues, such as TCFD and human capital initiatives, I appreciate that the Company is making great efforts to improve governance every fiscal year.

As the Company has many female customers and store employees, I expect the Company to put more effort into the development of female internal officers and managers and the Board of Directors to have active discussions also from the perspectives of women's empowerment.

Each External Director and Auditor has a different skill set and perspective. Through active exchange of information and discussions among external officers, we would like to provide appropriate advice and make better proposals to the Company going forward.



Policy for determining the contents and the calculation method of the amount or the quantity of performance-based remuneration

Performance-based remuneration shall be paid in cash. Its amount shall be determined in accordance with the degree of achievement of the consolidated operating income budget for each fiscal year and based on the basic amount established for each position after adjusting the amount for each Director's contribution in the fiscal year. Any performance-based remuneration shall be paid at the same time each year. We have chosen consolidated operating income as an indicator for performance-based remuneration because we recognize the importance of improving motivation to pursue profit in our core business.

Policy for determining the contents and the amount or quantity or the calculation method thereof of non-monetary remuneration

Non-monetary remuneration shall be provided in the form of restricted stock to the Directors of the Company other than External Directors for the purpose of providing them with an incentive for sustainable improvement in the Company's corporate value and to promote further value sharing with shareholders. Restricted stock shall be granted in exchange for contribution in kind of monetary remuneration claims determined based on the basic amount established for each position within the upper limit on such remuneration approved by the General Meeting of Shareholders. The timing of the grant shall be determined as necessary by the Board of Directors in comprehensive consideration of the composition of the Board of Directors, the purpose as an incentive, the management conditions of the Company, and any other relevant matters.

In principle, the restricted period of the restricted stock shall be the period until such Directors resign or retire from all of those positions as an officer or employee of the Company or its subsidiary that are specified in advance by the Board of Directors of the Company.

Policy for determining the percentages of the amounts of monetary remuneration, performance-based remuneration, and non-monetary remuneration to the amount of remuneration of individual Directors

The Company has voluntarily established the Nomination and Remuneration Committee as an advisory body to ensure objectivity and transparency for the remuneration of Directors. The percentage of each component of the remuneration of Directors is determined by the Nomination and Remuneration Committee after examining the remuneration of companies of a similar scale in the same industry and considering the Company's financial results each time such remuneration is paid.

Matters concerning the delegation of determination of the remuneration of individual Directors

The determination of the specific amount of remuneration of each Director shall be left to the discretion of Representative Director & President Katsunori Sugiura by resolution of the Board of Directors. Under the delegation, the Representative Director & President shall determine the amounts of fixed remuneration and performance-based remuneration within the limit on such remuneration approved by the General Meeting of Shareholders.

In order to ensure that the authority delegated as described above is exercised properly, the Company requires the Representative Director & President to respect the deliberation results of the Nomination and Remuneration Committee, the majority of which consists of independent External Directors and Auditors, in determining the specific amount of remuneration of each Director.

The authority mentioned above is delegated to the Representative Director & President because the Company has determined that he is able to determine the specific amount of remuneration of each Director in a comprehensive manner as he is familiar with the management conditions of the Company more than anybody else and is the most suitable person to evaluate the areas of responsibility and job responsibilities of each Director, while examining the environment surrounding the Company and the overall financial results of the Company from a high-level viewpoint.

Regarding restricted stock as non-monetary remuneration, the specific number of shares allotted to each Director and other necessary matters are determined by the Board of Directors based on the deliberation results of the Nomination and Remuneration Committee.

Total amount of remunerations for the current fiscal year

Category	Total amount (millions of yen)	Total amount by type (millions of yen)			Number of persons
		Fixed remuneration	Performance-based remuneration	Non-monetary remuneration	
Directors (of which, External Directors)	151 (14)	108 (14)	38 (-)	4 (-)	6 (3)
Auditors (of which, External Auditors)	16 (16)	16 (16)	- (-)	- (-)	3 (3)
Total (of which, External Directors and External Auditors)	168 (30)	125 (30)	38 (-)	4 (-)	9 (6)

Notes: 1. The total amount of remuneration paid to Directors excludes the portion of employees' salaries of Directors who concurrently serve as employees.
 2. The upper limit on remuneration of Directors was resolved at 400 million yen per year (not including salaries received as employees) at the 25th Ordinary General Meeting of Shareholders held on May 24, 2007. At the time of the resolution, the number of Directors was 12.
 3. The upper limit on remuneration of Auditors was resolved at 30 million yen per year at the 25th Ordinary General Meeting of Shareholders held on May 24, 2007. At the time of the resolution, the number of Auditors was 3.
 4. The above-mentioned figures include the remuneration paid to one External Director who resigned at the end of the 40th Ordinary General Meeting of Shareholders held on May 20, 2022.
 5. The non-monetary remuneration consists of the shares of the Company, and the terms and conditions of allotment are as stated in "Policy for determining the contents of remunerations of individual Directors" above.

Relationships with Shareholders

Securing shareholders' rights

We are determined to act appropriately to treat all shareholders, including minority shareholders and foreign shareholders, substantially equally according to the number of shares they hold and secure shareholders' rights as represented by the exercise of voting rights at the General Meeting of Shareholders.

In the case where we are to implement a capital policy that may result in a change of control or a large-scale dilution, we will resolve the matter by fully discussing the necessity and rationality at the Board of Directors before providing sufficient explanation to shareholders from the perspectives of fulfilling fiduciary duties for shareholders.

Constructive dialogues with shareholders and investors

We endeavor to improve medium- to long-term corporate value through constructive dialogues with shareholders and investors.

- (1) We will focus on the improvement of IR activities to gain understanding concerning our management philosophy, management strategy, financial strategy, management plan, business results, and concept of sustainability.
- (2) The Representative Director & President will supervise all aspects of dialogue, and consultation will be provided by the relevant departments, if necessary.
- (3) As for individual face-to-face meetings with shareholders and investors, the IR department will serve as the contact point, and the matter will be appropriately handled within a reasonable scope based on the requests of and the purpose of the meeting with the shareholders and investors.
- (4) In order to promote constructive dialogues with shareholders and investors, the IR department and other related departments will periodically exchange opinions and share information based on their professional viewpoints and respond to matters in cooperation with each other.
- (5) Useful opinions and requests expressed in dialogues with shareholders and investors will be provided to the Board of Directors, etc. as necessary.
- (6) The composition of shareholders will be checked periodically, based on which communication will be improved in an appropriate manner suited to the shareholders and investors.

Status of dialogues with investors

	FY 2020	FY 2021	FY 2022
Financial briefings for institutional investors and analysts (1H and full-year)	2	2	2
Financial briefing small meetings for institutional investors and analysts	25	34	27
Conference hosted by securities companies	6	8	5
Individual meetings for institutional investors (face-to-face meetings and interviews by phone)	133	168	166

- (7) In carrying out dialogues with shareholders and investors, we will comply with laws and regulations and other related rules and manage insider information properly.

Cross-shareholdings

Policy on acquisition and shareholding

- (1) In principle, we will not hold shares under a cross-shareholding policy toward the improvement of corporate value except in the case of strategically important collaboration and the case where the maintenance and development of trading relationships are confirmed.
- (2) As for shares held, we will periodically verify the rationality of holding the shares, and the Board of Directors will check this on an annual basis, the details of which will be disclosed. We will gradually sell any shares whose holding purpose is no longer significant, in a manner taking into consideration the status of the relevant issuer.
- (3) As for the exercise of voting rights of the shares held, we make comprehensive judgment by confirming whether each agenda will contribute to the enhancement of corporate value from medium- to long-term perspectives while respecting the management policy of the relevant issuer.
- (4) We will not carry out any transaction with a company that holds the Company's shares if the transaction is not economically rational. When such a company expresses the intention to sell the Company's shares, we will not try to prevent it from doing so.

Verification results by the Board of Directors

As for the cross-shareholdings of the Company as of February 28, 2023, the Board of Directors has examined each stock to confirm the significance of its holding purpose.

Disclosure

We appropriately disclose information on a timely basis in compliance with laws, regulations and related rules toward the realization of fair and highly transparent management.

- (1) We will proactively disclose both financial and non-financial information if such information is considered useful for shareholders and other stakeholders to deepen their understanding of the Company.
- (2) Disclosure will be made in such a manner that our shareholders and other stakeholders can easily access it.
- (3) From the viewpoint of information disclosure particularly to overseas investors, we will prepare materials in English concerning the Company profile, management strategy, medium-term management plan, budget, trend of business results, notice of convocation of the General Meeting of Shareholders, corporate governance basic policy, and ESG. These materials will be posted on the website of SUGI Holdings Co., Ltd.

Establishment of the Sustainability Committee

With the aim of promoting sustainability management, we have established the Sustainability Committee as an advisory body to the Representative Director & President.

- 1 The Sustainability Committee discusses the sustainability strategy and initiatives for the entire Group and reports and makes recommendations to the Representative Director & President.
- 2 The Sustainability Committee consists of members appointed by the Representative Director & President as appropriate in light of the purpose of the committee.
- 3 The Risk Committee and the Information Security Committee have been established inside the Sustainability Committee as the bodies that manage relevant risks and perform tasks assigned by the Sustainability Committee.

Risk Management

For the purpose of promoting sound, highly transparent and efficient management, the Board of Directors will improve the systems concerning compliance, appropriateness of financial reporting, risk management and other matters, seeking more effective functions in the internal control system from the perspectives of group management, and supervise their operation status by utilizing the Internal Audit Department. In order to enhance the accuracy of internal control, we endeavor to minimize managerial risks by documenting and monitoring the details of the business operations of each group company, the assumed risks, and their countermeasures. The Representative Director & President

has established the Risk Committee and the Information Security Committee inside the Sustainability Committee to control high-risk fields in management, thus improving the relevant business operations and preventing accidents at an early stage.

The Risk Committee prevents risks from occurring by evaluating and identifying serious risks concerning corporate management, such as business strategy, natural disasters, and infectious diseases, and by taking actions in advance. In the event of a crisis, we are prepared to immediately establish a separate "emergency task force" to act quickly and appropriately.

Examples of the major risks to be managed

	Risks	Examples of the major risks
1. Risks concerning business strategy	1-1 Business environment	<ul style="list-style-type: none"> ● Intensified competition with industry peers and different industries ● Industrial reorganization and oligopoly through large-scale M&A
	1-2 Applicable laws, regulations, etc.	<ul style="list-style-type: none"> ● Drastic reductions of drug prices and dispensing fees ● Revisions of applicable tax rules and accounting standards
	1-3 Investments	<ul style="list-style-type: none"> ● Failure in investments in new stores ● Failure in M&A investments
2. Risks relating to natural disasters, infectious diseases, etc.	2-1 Large-scale disasters	<ul style="list-style-type: none"> ● Stagnant economic activities ● Suspension of business activities due to damage to stores, offices, systems and employees ● Damage to properties held and repair costs arising therefrom
	2-2 Climate change	<ul style="list-style-type: none"> ● Damage to stores and facilities due to typhoons, heavy rains, etc. ● Introduction of a carbon tax, etc. due to the tightening of regulations
	2-3 Infectious diseases	<ul style="list-style-type: none"> ● Stagnant economic activities ● Self-restraint and suspension of business activities at stores ● Suspension of business activities due to infection of employees
3. Risks relating to corporate management	3-1 Wrongdoing and accidents	<ul style="list-style-type: none"> ● Occurrence of serious mistakes in prescription dispensing ● Fraudulent activities by officers or employees ● Defective products, foreign substance mixing, and inappropriate labeling
	3-2 Information security	<ul style="list-style-type: none"> ● System failures caused by accidents, defects, etc. ● Unauthorized invasion and/or access and virus infection from external networks ● Leakage of customer information
	3-3 Human rights	<ul style="list-style-type: none"> ● Worsening of work environments and safety and health ● Acts of human rights violation (harassment and discriminatory practices)
	3-4 Human resources	<ul style="list-style-type: none"> ● Shortage of managerial human resources ● Intensified competition for hiring capable human resources
	3-5 Supply chain	<ul style="list-style-type: none"> ● Human rights and environmental issues concerning the supply chain ● Changes in purchase prices

Internal Reporting System

For the purpose of preventing and correcting violation of laws and regulations or misconduct by systems or individuals, SUGI Pharmacy Group has established a compliance consultation channel, enabling employees to seek consultation anonymously. The Internal Reporting System is operated in accordance with the internal rules, and reporting channels are established within the Group and in external law offices. In order to prohibit disadvantageous treatment of informants and increase the recognition and understanding of the abovementioned 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 such promotional activities, we endeavor to establish a sound reporting system.

The Internal Reporting System was renamed "Anything Consultation Call Service for All Workplace Concerns" in FY 2021 to create an environment where employees feel able to use it more freely.

Personal information protection and enhanced information security

The SUGI Pharmacy Group works to strengthen the protection of personal information and information security in order to protect and prevent the leakage of personal information, customer information, and confidential information. By establishing the Information Security Basic Policy, the Group is taking various measures to prevent any unauthorized access from outside, virus infection, or data leakage. At the same time, we work to strengthen information security systems and educate employees appropriately.

Reinforcement of information security systems and education

- Establish the Information Security Basic Policy
- Inform employees of the Information Security Basic Policy and provide relevant education
- Obtain certification from an external organization (ISMS)

Prevention of unauthorized access from outside

- Install firewalls
- Implement defense against unauthorized intrusion from websites
- Prevent the receipt of virus-infected emails

Prevention of virus infection

- Introduce anti-virus software
- Apply security patches
- Restrict communications with and browsing of websites

Prevention of data leakage

- Prohibit the connection of PCs with external devices
- Restrict access to customer information
- Install security rooms and security cameras
- Preserve logs of PC operations and email sending to strengthen the ability to investigate in the case of leakage and secure tracking trails

Information Security Basic Policy

The SUGI Pharmacy Group has been engaging in management to contribute to society by effectively utilizing assets and resources borrowed from society (people, things, money, information, etc.) and continuing to provide profits to society. To realize this, we understand that it is our top priority management issue to strengthen the information security of the entire Group by protecting our customers' personal information and other information assets owned by us from various threats, including unauthorized access and cyberattacks. Based on this concept, the Group established the "Information Security Basic Policy."

Going forward, we will endeavor to maintain and improve information security through compliance with and proper handling of the aforementioned policy and the "Handling of Personal Information (Privacy Policy)" by our officers and employees.

Click the website below for the Information Security Basic Policy (set forth in Attachment 2 of the Corporate Governance Basic Policy).



URL: https://www.sugi-hd.co.jp/ir/english/pdf/cg_basicE.pdf

Conformance of information security management systems to standard requirements

Certain operations at the SUGI Pharmacy Group, including registration of information of point card members, maintenance of incoming call records, provision of specified health guidance, customer information analysis, and sales promotion and advertising, conform to the standard requirements of ISO27001. The Group will endeavor to strengthen and upgrade its responses in the areas of personal information protection and information security by receiving examinations by external organizations appropriately.



JQA-IM1863

Scope of registration activities

- Responding to incoming calls and maintaining incoming call records
- Managing the registration of and changes in point card members

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Financial Indices

	(Millions of yen)				
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Net sales	488,701	542,361	602,850	625,477	667,647 ^{*1}
Operating income	26,053	30,159	34,041	32,137	31,658
Ordinary income	27,237	31,473	35,333	33,082	32,391
Profit attributable to owners of parent	17,940	20,782	21,120	19,389	19,007
Depreciation	7,389	8,412	9,940	11,268	12,362
Net cash provided by (used in) operating activities	22,894	45,353	34,027	7,174	38,279
Net cash provided by (used in) investing activities	-22,362	-18,422	-29,254	-23,892	-23,256
Net cash provided by (used in) financing activities	-13,897	-4,895	-5,274	-5,295	-14,209
Cash and cash equivalents at end of period	34,311	56,347	55,845	33,831	34,622
End of consolidated fiscal year					
Net assets	166,563	182,750	200,629	213,890	216,538
Total assets	265,481	313,757	345,933	334,758	351,895
Per share information					
Net income (yen)	287	336	341	313	311
Net asset (yen)	2,694	2,956	3,245	3,460	3,590
Dividend (yen)	70	80	80	80	80
Management indices (%)					
Equity ratio	62.7	58.2	58.0	63.9	61.5
Return on equity (ROE)	10.9	11.9	11.0	9.4	8.8
Return on total assets (ROA)	10.5	10.9	10.7	9.7	9.4
Payout ratio	24.3	23.8	23.4	25.5	25.7
Annual sales growth rate (%)					
All stores: Corporate group as a whole	+6.9	+11.0	+11.2	+3.8	- ^{*1}
All stores: SUGI Pharmacy operations ^{*2}	+9.9	+13.8	+12.7	+5.3	+8.0
Existing stores: Corporate group as a whole	+2.2	+5.1	+4.3	-0.7	+3.1
Existing stores: SUGI Pharmacy operations ^{*2}	+2.6	+5.9	+4.7	0.0	+3.6
Indices on prescription dispensing information					
Sales from prescription dispensing	91,074	105,279	117,597	132,743	142,461
Number of prescriptions filled (thousand sheets)	8,698	9,833	10,101	11,730	12,913
Prescription cost (yen)	10,471	10,707	11,642	11,318	11,033

*1: As the Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 28, March 31, 2020) and related guidance (hereinafter, "Accounting Standard, etc.") since the beginning of the fiscal year ended February 28, 2023, the figures stated for FY 2022 are calculated by applying the Accounting Standard, etc. For this reason, percentage changes from the previous fiscal year are not presented. *2: "SUGI Pharmacy operations" indicates only the number of stores of SUGI Pharmacy.

Non-financial Indices

Some non-financial information is available only from the fiscal year in which we started data collection, and "-" indicates that the information is unavailable.

	FY 2019	FY 2020	FY 2021	FY 2022
Numbers representing the Company				
Number of stores	1,287	1,391	1,483	1,565
Number of new stores	116	121	112	107
Year-end total square meters of sales floor (m ²)	781,303	847,543	915,322	963,270
Numbers relating to customer base				
Number of visitors per year	269,803,126	316,850,068	339,909,390	345,818,315
Number of visitors per year: Merchandising	262,235,053	308,854,178	330,838,009	335,822,636
Number of visitors per year: Prescription dispensing	7,568,073	7,995,890	9,071,381	9,887,529
Number of SUGI Pharmacy point members	16,459,486	18,042,809	19,414,675	20,838,945
Number of SUGI Pharmacy app downloads ^{*1}	3,506,481	6,018,926	8,331,741	10,442,740
Number of SUGIsapo app downloads (SUGIsapo Walk)	592,422	1,518,152	2,218,912	2,748,828
Number of Family Pharmacy app downloads	-	161,060	368,644	622,034
Numbers relating to prescription dispensing				
Number of prescription dispensing pharmacies	930	1,050	1,166	1,220
Percentage of prescription dispensing stores (%)	80.0	82.9	85.5	84.4
Number of home-visit prescription dispensing centers	-	-	-	28
Number of prescriptions filled (thousand sheets)	9,833	10,101	11,730	12,913
Number of health support pharmacies	5	16	16	14
Local alliance pharmacies	-	-	39	46
Pharmacies allied with specialized medical institutions	-	-	2	3
Percentage of prescription dispensing of drugs that require special management (%) ^{*2}	-	-	2.4	2.2
Numbers relating to function updates for an aging society				
Number of stores providing home-visit prescription dispensing services	487	541	556	565
Total number of customers who used home-visit prescription dispensing services (annual)	128,880	146,794	160,411	176,037
Number of home-visit nursing stations	11	13	13	14
Total number of customers who used home-visit nursing services (annual)	12,453	14,590	17,913	18,847
Numbers relating to private brands				
Percentage of private brand sales (%)	9.4	8.3	8.6	9.6
Percentage of eco-friendly private brand products (%) ^{*3}	-	-	10.2	12.2
Numbers relating to the supply chain				
Number of private brand contract manufacturers that conducted plant checks	3	3	11	51

*1: This is the number since the revamp of the app in October 2018. *2: Percentage of drugs that require special management (narcotics, raw materials for stimulants, psychotropic drugs, and toxic substances) to the prescription dispensing of all drugs. *3: Percentage of eco-friendly products to all private brand products.

	FY 2019	FY 2020	FY 2021	FY 2022
Numbers relating to contribution to the enhancement of community safety and security (cumulative)				
Total number of agreements	51	60	75	84
Comprehensive agreements	13	13	19	26
Watching-over agreements	9	10	10	11
Disaster risk reduction agreements	29	34	38	39
Agreements on the environment, etc.	0	3	8	8
Total number of AEDs donated to facilities for senior citizens	147	182	217	255
Total number of stores where AEDs are installed	47	130	180	231
Total number of first-aid kits donated to local governments, etc.	962	962	962	1,068
Numbers relating to employees				
Number of full-time employees	6,182	6,710	7,308	7,727
Men	3,340	3,540	3,804	4,016
Women	2,842	3,170	3,504	3,711
Percentage of women (%)	46.0	47.2	47.9	48.0
Employees working in Japan	-	-	-	7,727
Number of partner employees (converted into the number of 8-hour workers)	10,282	11,467	11,770	11,692
Percentage of partner employees (converted into the number of 8-hour workers) (%)	62.5	63.1	61.7	60.2
Number of new graduates hired	590	695	727	533
Men	174	234	245	176
Women	416	461	482	357
Number of mid-career hires	613	227	402	397
Men	293	121	213	212
Women	320	106	189	185
Number of pharmacists	2,803	3,025	3,390	3,688
Number of registered pharmaceutical distributors	7,810	8,527	9,704	9,019
Number of registered dietitians	426	466	498	501
Number of nurses	-	-	87	105
Number of beauty advisors	1,139	1,208	1,214	1,268
Average annual salary of full-time employees (thousand yen)	-	-	5,259	5,391
Men	-	-	5,947	5,894
Women	-	-	4,283	4,782
Numbers relating to human resource development				
Number of participants enrolled in dementia supporter courses	9,469	10,213	10,284	11,239
Average hours per employee spent in capacity development training	88.3	68.3	136.0	253.2
Training costs for full-time employee (million yen)	361	354	307	652
Compliance training attendance ratio (%)	95.3	100.0	100.0	100.0

	FY 2019	FY 2020	FY 2021	FY 2022
Numbers relating to diversity and work style				
Number of managers	1,679	2,005	2,126	2,169
Men	1,451	1,692	1,768	1,854
Women	228	313	358	315
Percentage of female managers (%)	13.6	15.6	16.8	14.5
Number of regional full-time employees	-	-	-	4,099
Number of employees with foreign nationality	353	472	454	433
Number of employees with disabilities	355	370	411	440
Percentage of employees with disabilities (%)	2.54	2.36	2.43	2.58
Number of employees who took parenting leave	455	697	805	448
Men	11	46	84	79
Women	444	651	721	369
Percentage of employees who took parenting leave (%)	-	-	-	86.6
Men	-	-	-	53.0
Women	-	-	-	100.0
Number of employees who worked on reduced working hours for childcare	307	368	508	603
Men	9	10	18	15
Women	298	358	490	588
Percentage of those returning to work after parenting leave (%)	93.4	93.7	97.7	95.2
Men	100.0	100.0	100.0	100.0
Women	92.5	92.6	97.9	94.7
Number of employees who took nursing care leave	9	12	13	16
Men	1	0	1	1
Women	8	12	12	15
Number of full-time employees re-employed after mandatory retirement	31	27	21	32
Percentage of full-time employees re-employed after mandatory retirement (%)	93.9	93.1	90.5	90.6
Employee engagement (P)	-	-	-	3.1
Numbers relating to safety and health				
Regular health checkup rate (%)	99.7	99.6	95.3	99.0
Percentage of smokers (%)	17.0	15.2	12.0	12.3
Percentage of specified health guidance completed (%)	88.4	82.2	57.9	40.1
Number of employees who took leave due to a mental health problem	-	-	-	170
Number of employees who returned	-	-	-	68
Number of employees who left	-	-	-	51
Percentage of employees getting enough sleep (health checkup results) (%)	-	-	-	65.0
Number of occupational injury incidents	241	308	282	235
Number of occupational injury incidents (at work)	154	205	238	187
Number of occupational injury incidents (during commutation)	87	103	44	48
Number of fatal occupational injury incidents	0	0	0	0

	FY 2019	FY 2020	FY 2021	FY 2022
Numbers relating to the environment				
Number of plastic bags used (million bags)	262	144	43	65
Tonnage of plastic bags used	2,000	1,100	328	507
Water consumption (m ³)	-	-	-	755,045
CO ₂ emissions - Scope 1 (t-CO ₂)	1,769	1,729	1,832	To be calculated
CO ₂ emissions - Scope 2 (t-CO ₂)	115,841	124,430	133,316	To be calculated
CO ₂ emissions - Scope 3 (t-CO ₂)	-	1,669,962	1,700,421	To be calculated
Electric power consumption (thousand kWh)	250,121	279,619	307,889	To be calculated
Renewable energy consumption (thousand kWh)	-	-	-	3,117
Gasoline consumption of company cars (liters)	348,007	375,300	405,420	427,679
Number of stores with LED lighting	1,126	1,353	1,454	1,552
Percentage of stores with LED lighting (%)	81.0	97.0	98.0	99.0
Prescription drugs waste ratio (%)	-	-	0.41	0.41
Food waste ratio (%)	-	0.45	0.41	0.41
Return ratio (%)	-	-	2.2	1.8
Numbers relating to governance risk and compliance				
Number of Board of Directors meetings held	13	12	12	12
Number of Risk Committee meetings held	21	58	31	33
Number of Board of Auditors meetings held	13	12	12	14
Number of Directors	6	7	6	5
Men	5	5	4	4
Women	1	2	2	1
Number of Independent External Directors	2	3	3	2
Men	1	1	1	1
Women	1	2	2	1
Percentage of Independent External Directors (%)	33.3	42.9	50.0	40.0
Percentage of female Directors (%)	16.6	28.6	33.3	20.0
Number of Auditors	3	3	3	3
Men	2	2	2	2
Women	1	1	1	1
Percentage of Independent External Auditors (%)	100.0	100.0	100.0	100.0
Percentage of female Auditors (%)	33.3	33.3	33.3	33.3
Annual number of calls to "Anything Consultation Call Service for All Workplace Concerns" ^{*5}	430	832	1,254	1,585
Number of occurrences of human rights issues	-	-	-	0
Number of complaints	-	7,229	5,463	4,437

*5: The system was renamed in FY 2021 to ensure that employees feel able to use it more freely.

Consolidated Balance Sheet

	(Millions of yen)		(Millions of yen)	
	As of the end of FY 2021 (Feb. 28, 2022)	As of the end of FY 2022 (Feb. 28, 2023)	As of the end of FY 2021 (Feb. 28, 2022)	As of the end of FY 2022 (Feb. 28, 2023)
Assets				
Current assets				
Cash and deposits	62,831	62,642		
Accounts receivable – trade	33,577	37,514		
Securities	9,000	8,000		
Inventory	71,571	74,503		
Others	15,455	17,324		
Allowance for doubtful accounts	-1	-0		
Total current assets	192,434	199,984		
Non-current assets				
Property, plant and equipment				
Buildings and structures	112,267	120,771		
Accumulated depreciation	-46,622	-52,261		
Buildings and structures (net)	65,645	68,510		
Land	8,764	8,583		
Construction in progress	3,238	2,001		
Others	40,651	45,425		
Accumulated depreciation	-28,933	-32,608		
Others (net)	11,717	12,817		
Total property, plant and equipment	89,366	91,913		
Intangible assets	6,612	8,121		
Investments and other assets				
Investment securities	4,297	5,459		
Long-term loans receivable	5	5		
Deferred tax assets	11,946	14,669		
Guarantee deposits	27,491	28,902		
Others	2,631	2,868		
Allowance for doubtful accounts	-27	-27		
Total investments and other assets	46,344	51,876		
Total non-current assets	142,323	151,911		
Total Assets	334,758	351,895		
Liabilities				
Current liabilities				
Accounts payable – trade	70,987	77,038		
Income taxes payable	1,586	4,981		
Contract liabilities	-	18,059		
Provision for bonuses	1,899	1,488		
Others	28,092	15,446		
Total current liabilities	102,565	117,015		
Non-current liabilities				
Retirement benefit liability	8,169	8,282		
Asset retirement obligations	6,659	7,063		
Others	3,473	2,995		
Total non-current liabilities	18,302	18,341		
Total Liabilities	120,868	135,356		
Net Assets				
Shareholders' equity				
Capital	15,434	15,434		
Capital surplus	24,632	24,632		
Retained earnings	182,427	194,155		
Treasury shares	-9,300	-18,215		
Total shareholders' equity	213,194	216,007		
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	1,065	378		
Remeasurements of defined benefit plans	-369	153		
Total accumulated other comprehensive income	695	531		
Total Net Assets	213,890	216,538		
Total Liabilities and Net Assets	334,758	351,895		

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

	(Millions of yen)	
Consolidated Statement of Income	FY 2021 (Mar. 1, 2021 to Feb. 28, 2022)	FY 2022 (Mar. 1, 2022 to Feb. 28, 2023)
Net sales	625,477	667,647
Cost of sales	433,987	465,123
Gross profit	191,490	202,524
Selling, general and administrative expenses		
Salaries, allowances and bonuses	66,688	69,898
Provision for bonuses	1,873	1,463
Retirement benefit expenses	1,267	1,439
Rent expenses	32,362	34,687
Others	57,161	63,377
Total selling, general and administrative expenses	159,353	170,865
Operating income	32,137	31,658
Non-operating income		
Interest income	84	160
Dividend income	2	2
Gain on donation of non-current assets	455	312
Rental income	1,856	1,934
Others	729	572
Total non-operating income	3,129	2,982
Non-operating expenses		
Interest expenses	19	16
Rental costs	1,547	1,675
Loss on retirement of non-current assets	281	230
Others	335	325
Total non-operating expenses	2,183	2,249
Ordinary income	33,082	32,391
Extraordinary income		
Gain on sale of non-current assets	-	1,002
Total extraordinary income	-	1,002
Impairment loss	5,626	5,208
Total extraordinary losses	5,626	5,208
Profit before income taxes	27,456	28,184
Income taxes – current	9,660	10,587
Income taxes – deferred	-1,594	-1,409
Total income taxes	8,066	9,177
Net income	19,389	19,007
Profit attributable to owners of parent	19,389	19,007

	(Millions of yen)	
Consolidated Statement of Comprehensive Income	FY 2021 (Mar. 1, 2021 to Feb. 28, 2022)	FY 2022 (Mar. 1, 2022 to Feb. 28, 2023)
Net income	19,389	19,007
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,142	-686
Remeasurements of defined benefit plans	-39	522
Total other comprehensive income	-1,182	-164
Comprehensive income	18,207	18,842
(Breakdown)		
Comprehensive income attributable to owners of parent	18,207	18,842

Consolidated Statement of Cash Flows

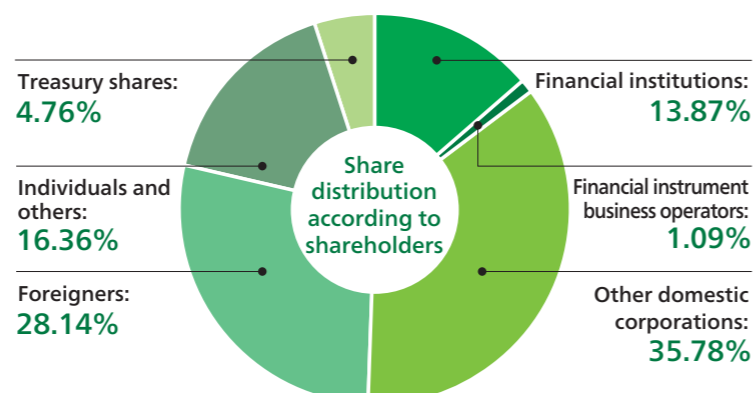
	(Millions of yen)	
	FY 2021 (Mar. 1, 2021 to Feb. 28, 2022)	FY 2022 (Mar. 1, 2022 to Feb. 28, 2023)
Net cash provided by (used in) operating activities		
Profit before income taxes	27,456	28,184
Depreciation	11,268	12,362
Impairment loss	5,626	5,208
Increase (decrease) in provision for bonuses	-699	-411
Increase (decrease) in retirement benefit liability	804	904
Increase (decrease) in allowance for doubtful accounts	-8	-0
Interest and dividend income	-87	-163
Gain on donation of non-current assets	-233	-164
Interest expenses	19	16
Loss (gain) on sale of non-current assets	-	-1,002
Loss on retirement of non-current assets	3	6
Decrease (increase) in trade receivables	-1,922	-3,922
Decrease (increase) in inventories	-203	-2,901
Increase (decrease) in trade payables	-20,079	5,976
Increase (decrease) in contract liabilities	-	794
Others	-128	545
Sub-total	21,814	45,434
Interest and dividends received	25	94
Interest paid	-16	-14
Income taxes paid	-14,648	-7,234
Net cash provided by (used in) operating activities	7,174	38,279
Net cash provided by (used in) investing activities		
Payments into time deposits	-81,000	-79,020
Proceeds from withdrawal of time deposits	81,000	81,000
Purchase of securities	-24,000	-26,000
Proceeds from redemption of securities	26,000	26,000
Purchase of property, plant and equipment	-20,743	-18,192
Proceeds from sale of property, plant and equipment	-	1,273
Purchase of intangible assets	-2,636	-3,320
Purchase of investment securities	-	-2,207
Proceeds from sale of shares of subsidiaries and associates	100	-
Payments of guarantee deposits	-2,512	-2,707
Proceeds from refund of guarantee deposits	299	317
Others	-399	-399
Net cash provided by (used in) investing activities	-23,892	-23,256
Net cash provided by (used in) financing activities		
Purchase of treasury shares	-1	-8,931
Repayments of finance lease obligations	-348	-365
Dividends paid	-4,944	-4,912
Others	-0	-0
Net cash provided by (used in) financing activities	-5,295	-14,209
Effect of exchange rate change on cash and cash equivalents	-	-22
Net increase (decrease) in cash and cash equivalents	-22,013	790
Cash and cash equivalents at beginning of period	55,845	33,831
Cash and cash equivalents at end of period	33,831	34,622

Stock Information and Corporate Profile

(As of February 28, 2023)

Stock Information

Total number of shares authorized to be issued by the Company: 200,000,000
Total number of issued shares: 63,330,838
Number of shareholders: 36,712



Major shareholders

Name	Number of shares held (thousand shares)	Holding ratio to total number of issued shares (excluding treasury stock) (%)
Sugi Shoji Co., Ltd.	20,972	34.76
The Master Trust Bank of Japan (trust account)	6,349	10.52
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	2,365	3.92
Katsunori Sugiura	1,892	3.13
Shinya Sugiura	1,892	3.13
THE BANK OF NEW YORK MELLON 140051 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1,567	2.59
Custody Bank of Japan, Ltd. (trust account)	1,374	2.27
Tsuruha Co., Ltd.	1,272	2.10
CEP LUX-ORBIS SICAV (Standing proxy: Citibank, N.A., Tokyo Branch)	860	1.42
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	821	1.36
Total	39,368	65.27

Note: On April 5, 2023, the Company was notified by Sugi Asset LLC that Sugi Asset would acquire from Katsunori Sugiura, Representative Director & President of the Company, and Shinya Sugiura, Director of the Company, some of the shares of the Company held by them. In the statement of large-volume holdings (change report) made available for public inspection as of April 12, 2023, Sugi Shoji Co., Ltd. was reported to hold the following shares as of April 5, 2023. As a result, there have been changes in the major shareholders of the Company as follows as of April 5, 2023:

Name	Address	Number of shares held (thousand shares)	Holding ratio to total number of issued shares (%)
Sugi Shoji Co., Ltd.	1-8-4 Mikawa Anjo-cho, Anjo-shi, Aichi	22,577	35.65
Sugi Asset LLC	62-1 Shin'e, Yokone-machi, Obu-shi, Aichi	3,019	4.76
Katsunori Sugiura	Kariya-shi, Aichi	150	0.23
Shinya Sugiura	Kariya-shi, Aichi	150	0.23

Corporate Profile

Trade name:	SUGI Holdings Co., Ltd.
Established:	March 8, 1982
Capital:	15,434,588,000 yen
Number of employees:	Number of full-time employees: 7,727 (on a consolidated basis) Number of partner employees: 11,692* * Number of partner employees converted into the number of 8-hour workers
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, Japan
Main store:	1-8-4 Mikawa Anjo-cho, Anjo-shi, Aichi 446-0056, Japan
Number of stores:	1,565 (Total of the Group) • SUGI Pharmacy: 1,446 • Japan: 105 • SUGI home-visit nursing stations: 14
Directors (as of May 30, 2023)	Representative Director & Chairman: Eiichi Sakakibara Representative Director & President: Katsunori Sugiura Director & Senior Vice President: Shinya Sugiura External Director: Shigeyuki Kamino External Director: Yoshiko Hayama
External Full-time Auditor:	Toshihiko Sakamoto
External Auditor:	Kana Yasuda
External Auditor:	Makoto Kamiya

Editorial Policy

The Integrated Report 2023 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 of our activities carried out based on them and their results. The report contains data and articles regarding the corporate activities that we deem especially important.

Reporting Coverage

The report has been designed to cover the companies in the consolidated financial statement of the SUGI Pharmacy Group to the extent possible, although the reporting coverage varies according to the item.

Coverage Period

March 1, 2022 – February 28, 2023

For some activities, more recent events have also been reported.

Reference Guidelines

- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry



Notes on Our Outlook

The Integrated Report 2023 presents forecasts and outlooks regarding future plans, strategies and business results of the SUGI Pharmacy Group and its subsidiaries. They are based on assumptions and views judged from the information currently available to the SUGI Pharmacy Group. Please note that actual business results may differ from the outlook due to risks and uncertainties concerning future economic trends, consumer spending, market demand, taxation, various systems, etc.