

Integrated Report 2024



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 **SUGI** Pharmacy Group

Management Philosophy

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.

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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.

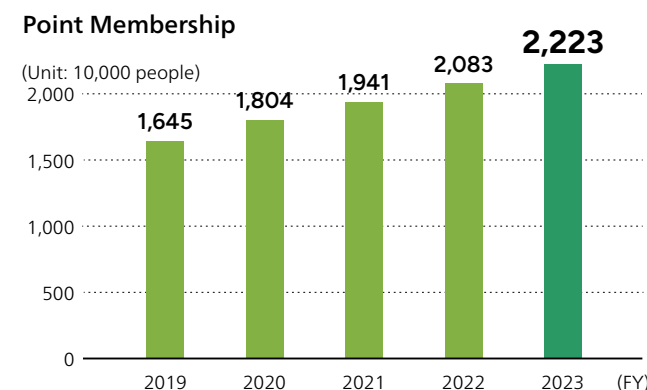
<For Employees>

Strive to create a corporate framework enabling the company to grow together with employees with the aim of ensuring their happiness.

Focus on Each Individual



Respect for Each Customer in Front of Our Eyes



Point Membership: 22.23 million

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 FY2023, the annual total number of visitors to our pharmacies reached 340 million, while our point membership increased to 22.23 million. As a local "family pharmacy," we are committed to enhancing citizens' lifelong wellness.



Stimulate Each Employee's Capability and Enhance Their Motivation



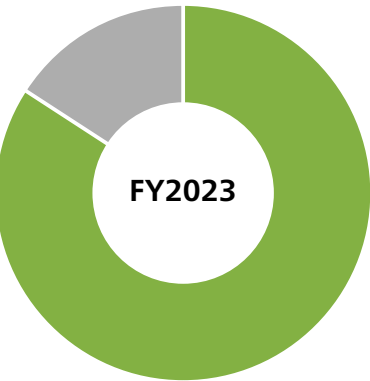
Human Resources Are an Asset

In the SUGI Pharmacy Group, we are striving to focus on each employee by proceeding with human capital management based on the six principles of "employees' motivation," "human asset development," "human asset acquisition and retention," "legal compliance and corporate cultural reform," "diversity," and "health and safety." We are working toward achieving sustainable growth by realizing the Total Healthcare Strategy and practicing the Management Philosophy, which embraces "kind behavior," "contribution to local communities," and "employees' happiness and smiles."

Contribution to Community Healthcare



Operating Prescription Dispensing Drugstores
– Our Unwavering Focus since Our Establishment



Percentage of
the prescription
dispensing stores
in the SUGI Pharmacy Group:
81.8%



A Wide Variety of Experts Accommodating
Needs from Local Communities

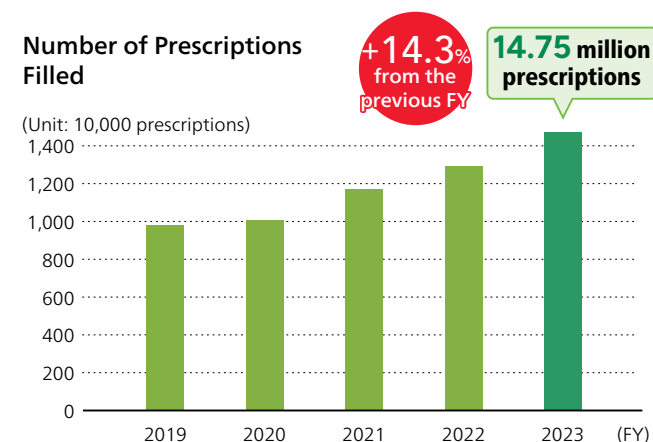
Experts *including partner employees

Total number of pharmacists	"Family pharmacists"	Board-certified Pharmacists of Ambulatory Cancer Chemotherapy	Accredited Pharmacists of Ambulatory Cancer Chemotherapy
4,021	846	7	5
Beauty advisors	Nationally certified dietitians	Nurses	Registered pharmaceutical distributors
1,222	468	113	10,029

Emphasis on Dedication to Prescription Dispensing



Prescription Dispensing Know-how Accumulated since Our Establishment



Sales of prescription dispensing

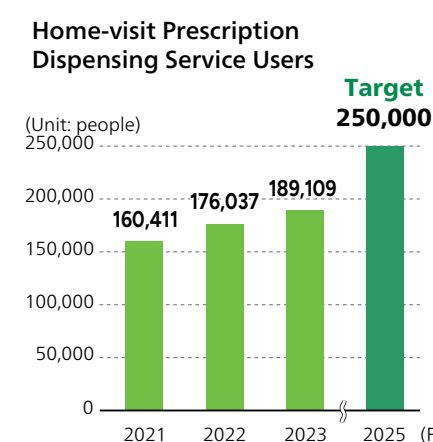
+11.5% from the previous FY

158.7 billion yen

No. of medical institutions whose prescriptions are filled by us

59,193 institutions

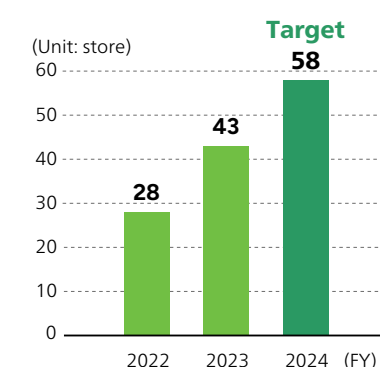
Home-visit Prescription Dispensing to Address the Super Aging Society



Stores Specializing in Home-visit Prescription Dispensing

(Unit: store)

Target 58



Imaike-Minami Store
(specializing in home-visit prescription dispensing)

Total Healthcare Strategy



Support for Each Individual's Lifelong Health

Self-Care

Medical Care
and
Medication

Elderly
Nursing
Support and
Daily Life
Support

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



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

SUGI Pharmacy app

12.02 million downloads
(FY2023)

*SUGI Smartphone Medicine Service App
(Family Pharmacy App)*

0.95 million downloads
(FY2023)

Number of App. Downloads

Total: **12.97** million downloads (FY2023)

The membership of our apps comprises the base for a variety of our digitalized healthcare services and sales promotion tailored to individual needs. In FY2023, we focused on promoting the downloading of each app and achieved 12.97 million downloads. We will continue to provide digitalized services, including various healthcare services designed for each customer to enjoy an even more valuable experience, and proceed with digitalized sales promotion tailored to individual needs.

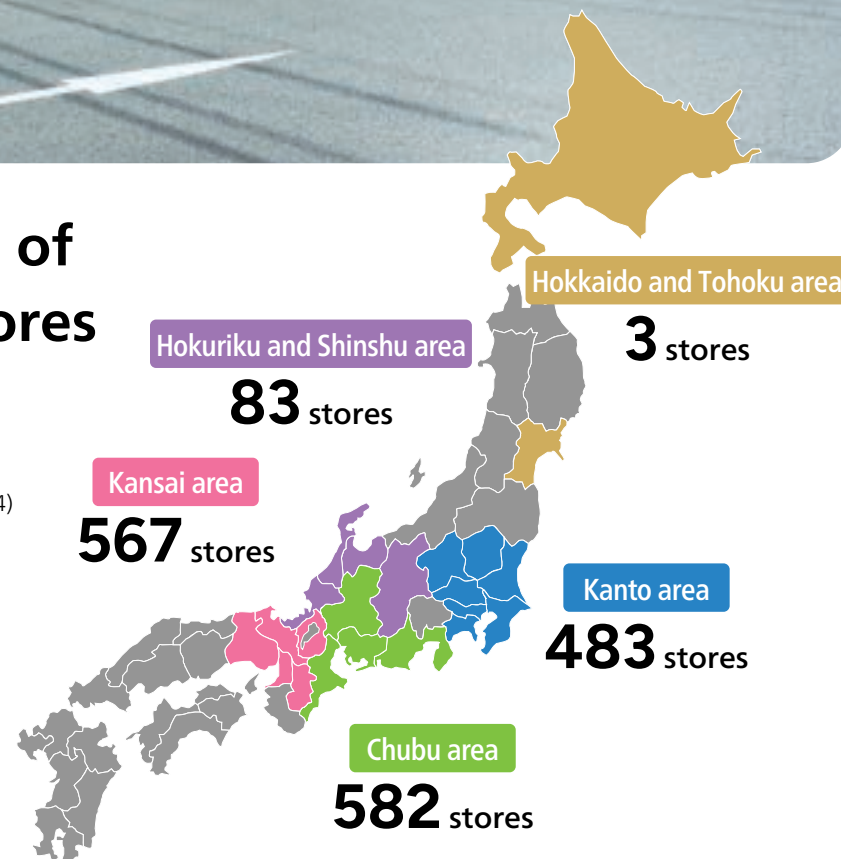
Expansion of Our Store Network



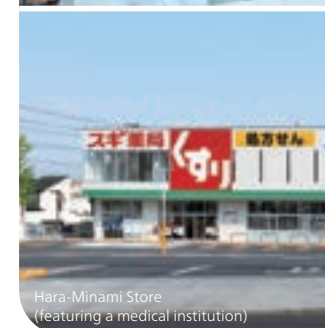
Network Consisting of More than 1,700 Stores

No. of stores (as of the end of February 2024)

1,718 stores in total



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



01

SUGI Pharmacy Group's Value Creation Story

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For nearly half a century since its establishment,

the SUGI Pharmacy Group has never ceased its growth.

With its eye on a dramatically changing market, the SUGI Pharmacy Group will
continue to create value toward achieving its ideal vision.



SUGI Pharmacy Group Striving to Serve as the “Main Framework Underpinning Local Healthcare” to Contribute to Everybody’s Healthy, Rich Lifestyles

Katsunori Sugiura

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

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

In FY2023, the COVID-19 restrictions on face-to-face interactions and travel were lifted, allowing our daily life to finally return to normal. As a result, there were some positive changes, such as the resumption of economic and social activities and a gradual economic recovery. However, the military conflicts in Ukraine and the Middle East caused resource prices to continue to rise. Coupled with the weak yen, such events led commodity prices to remain high, making consumer spending depressed. On the other hand, inbound demand showed signs of recovery. Some predictions suggest that the number of foreign visitors to Japan in 2024 will exceed the number in 2019, before the onset of the COVID-19 pandemic. The FY2024 real GDP is expected to show positive growth, but there are signs of slowdown from FY2023, making the situation remain unpredictable.

In the drugstore industry, we believe that M&A between major drugstores and intensifying competition will rapidly eliminate many players from the market, leading to an oligopoly throughout Japan. In the prescription dispensing pharmacy industry, the revision of dispensing fees is increasingly severe year by year, and there is an ongoing trend of a shift to DX* in pharmacy operation, as indicated by electronic prescription and online medication instructions. Following the national policies of “family pharmacy” and “medical DX,” we need to focus on communication with customers, home-visit prescription dispensing services, and the shift to DX.

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. Guided by the Total Healthcare Strategy, we would like to explore a wide variety of possibilities and actively cooperate with entities sharing the same ambitions as ours.

Recently, the SUGI Pharmacy Group was newly joined by the Kampo counseling company NIHONDO Co., Ltd. and the prescription dispensing pharmacy chain operator Hikari Pharma Co., Ltd. In addition, we announced (through a press release in February 2024) our alliance with I&H Co., Ltd. with an eye on the company joining our group as a subsidiary in the future.

By integrating the business know-how and resources of each company within the SUGI Pharmacy Group, we will accelerate our business growth and work together to develop into a healthcare company trusted by local citizens.

Domestic consumption will continue to decline due to a declining birthrate, aging population, and shrinking population. The SUGI Pharmacy Group continues to actively manage companies engaged in new business operations, such as overseas expansion. While providing our cultivated know-how, products, and services for local partner companies in Asian countries, which will grow further from now on, and cooperating and collaborating in a wide variety of forms, we are aiming to become the “Main Framework Underpinning Local Healthcare” not only in Japan but also in foreign countries.

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

The SUGI Pharmacy Group boasts a wide variety of experts, such as pharmacists, nationally certified dietitians, beauty

*DX (digital transformation): Improving business operations through the use of digital technology



advisers, nurses, and registered pharmaceutical distributors.

Of particular note are as many as 4,000 pharmacists. Affected by the continuing shortage of pharmacists, many prescription dispensing pharmacies and drugstores are being forced to secure 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 steadily secure pharmacists, and this is one of our great advantages.

We are confident that this has resulted from the fact that we have always been taking on the challenge, since the dawn of the drugstore industry, of 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.

By pushing forward with our strategic dominance of setting up new stores in specific areas, we are expanding

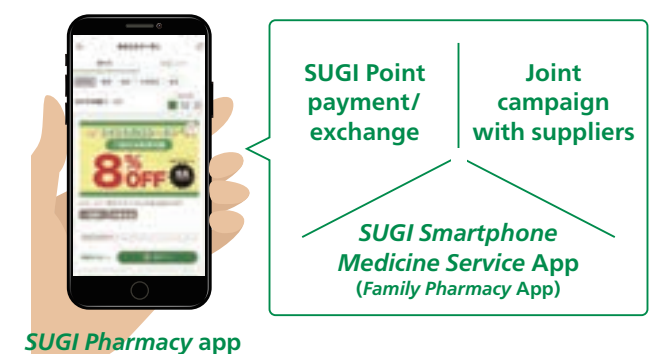
our operating scale in the metropolitan areas of Kanto, Chubu and Kansai. In FY2023, we also actively opened stores designed to meet the needs of tourists visiting Japan. In FY2023, we newly set up 144 stores, a considerable increase from 107 stores in the previous fiscal year, indicating that we remained one of the industry's leaders in terms of the number of annual store openings. As of the end of February 2024, the number of stores of the entire SUGI Pharmacy Group reached 1,718. The percentage of prescription dispensing stores, which is one of our advantages, increased to 81.8%, 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, from birth until the end of their life. To that end, not only are we establishing new stores, but we are also actively renovating existing stores to enlarge their dispensing rooms and 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. Striving to reflect comments from customers, we continue to improve the functions of the SUGI Pharmacy app, boasting more than 12 million downloads and leading our digitalization strategy. By providing information and coupons for individual customers according to the segment, we are aiming to raise the quality of customer experiences and the level of customer satisfaction. In addition, by reinforcing our ability to present proposals regarding products and services so that each customer will become even more satisfied, we are striving to deepen our ties with them. We are also aiming 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 or shopping carts as checkout machines at physical stores, as well as by enabling customers to check stores' product lineup, prices,

and inventory outside the stores and place an order on our EC website.

Realization of the Concept of "SUGI Pharmacy on the Palm Anytime and Anywhere"



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 employee 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 DX in order to generate value for customers and all the other stakeholders. In 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" is 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 evolutionary 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 provide us with a platform for using the physical and the digital seamlessly with a 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 local residents' healthy lives 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 Sustainability Promotion Section of the Corporate Branding Department) and set five themes and 16 priority issues (issues of materiality), thereby intensifying our efforts.

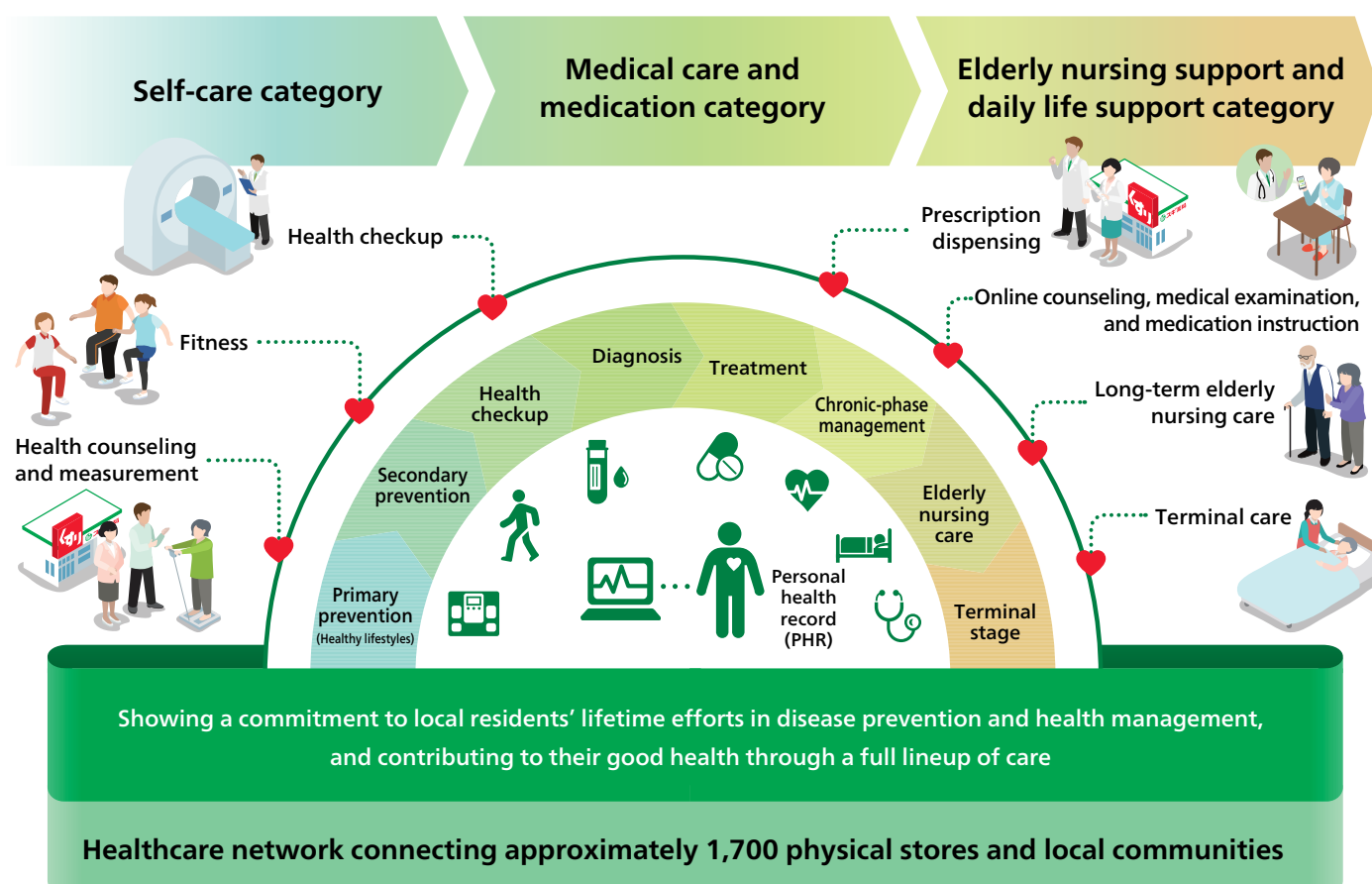
An increase in awareness of the SDGs is found in consumers of all generations, but this trend is evident particularly among young Millennial consumers and Generation Z. A familiar example is ethical consumption, meaning a selection of products produced with greater consciousness of the environment and 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. 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 in FY2022 and the Supplier Code of Conduct in FY2023, thereby beginning 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. While establishing our own database, we will continue to 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 FY2023 again, we strengthened our commitment to Bottle-to-Bottle Horizontal Recycling, intended to recycle used PET bottles into new PET bottles, with the number of our stores serving as a collection point increasing to a few dozens. 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 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 serve as a collection point. Furthermore, we collect uniforms to be disposed of so that they can be upcycled into resources for in-house equipment. We also work with food banks to address the problems of food loss and poverty. By doing so, we will 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.



Running a food drive

Total Healthcare Strategy



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 FY2014, we made an upward revision to a 50% reduction 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 under 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. In FY2024, we already concluded a contract to procure renewable energy for a few dozen of stores through an off-site PPA. We will further accelerate our carbon-free efforts.



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 the SUGI Pharmacy Group 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 purchases, 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. In FY2023, we strode our first step by joining the Challenge Carbon Neutral Consortium and conducting a demonstration experiment to display, promote, and sell environmentally friendly products from participating companies. We still need to formulate an ideal vision from a future perspective and consider many things from scratch. Although we have not yet set a specific path, we endeavor to address environmental problems through out-of-the-box alliances. In this regard, we would like to receive guidance from partners in a wide variety of fields.



Photo session at a press conference of the Challenge Carbon Neutral Consortium

Human Asset Strategy

As indicated by 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 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 link our management strategy with our human asset 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.

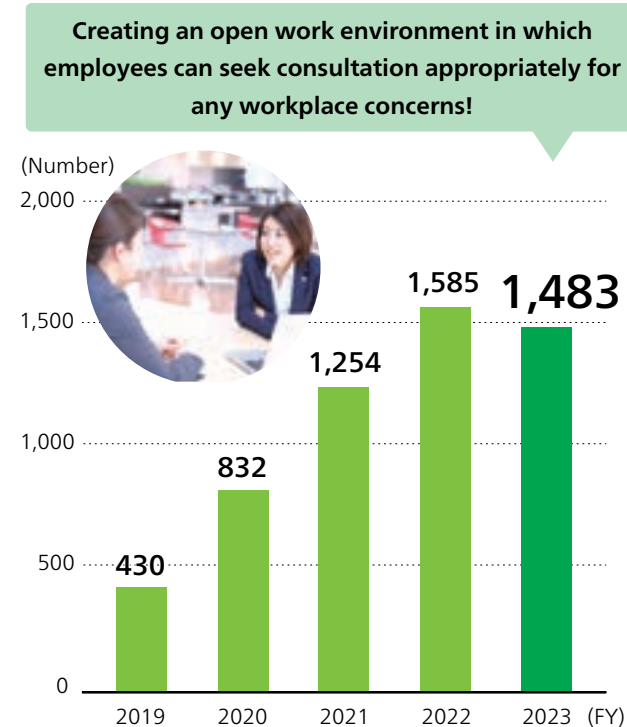
While visualizing personnel data, we will prepare a human asset portfolio in order to visualize how many employees with what types of skills are needed by business units and departments and clarify the gaps between the ideal and the real. Based on the portfolio, we will take measures to close the gaps, such as hiring new employees by other methods than employing new graduates simultaneously, relocating existing employees, obtaining external human assets, 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 asset, 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 manage-

ment for the sixth straight year. However, we cannot boast ourselves yet as the health and productivity management leader among the many companies applying for the selection. We will provide support for employees to quit smoking so that the current percentage of smokers at more than 11% will fall below 10%. Toward improving employee engagement, we will enhance their work-life balance and establish a workplace environment where everybody can fully demonstrate their ability by, for example, strengthening specific health guidance to reduce lifestyle-related diseases, providing training to reduce mental health issues, increasing the response speed of our consultation hotline system, improving the percentages of paid leave and parenting leave taken, and reducing overtime.

In addition, as part of our commitment to human rights, we will strengthen our efforts to improve psychological safety within our organizations. The “chain of smiles,” meaning employees’ smiles leading to customers’ smiles, is a key concept in realizing our Management Philosophy. In other words, if store employees and partners feel more motivated, it will lead to their greater contribution to customers, better work performance, and ultimately higher productivity.

Psychological safety is important when we think about motivation. If our employees feel greater psychological safety, it will help them to be true to themselves in their daily lives, say what they would like to say, take on bold challenges, and take kind and courteous actions for customers. We have a hotline for employees to call about any workplace concerns and worries. With the number of calls exceeding 1,400, we were recently featured in the media as one of the best Japanese companies in terms of the whistleblowing environment. To immediately

Annual Number of Calls to “Anything Consultation Call Service for All Workplace Concerns”



inspect a whistleblowing case, we have established the Area Human Resources Departments, thereby increasing our response speed and effectiveness. Moreover, to realize the theme “Focus on Each Individual,” we are striving to ensure that employees can hold consultations with their supervisors more easily. In addition, we are emphasizing the initiatives of store visits by all officers and direct employee interviews by the President. In FY2024 again, we will continue to strengthen our efforts to increase psychological safety.

DX Strategy

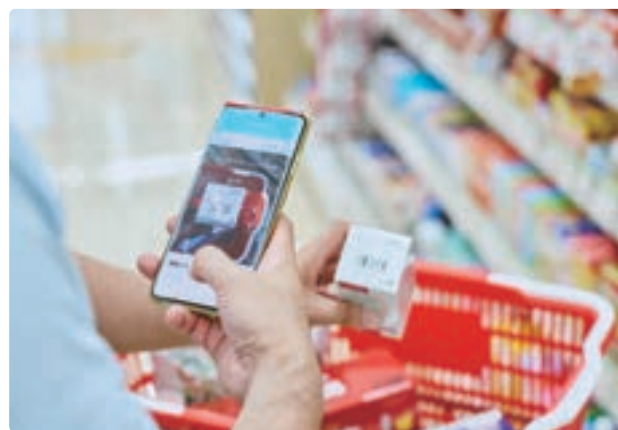
Our DX strategy originates from our determination to make our customer services even more fulfilling by enhancing our productivity and improving customers’ lifetime value. It is safe to say that person-to-person interactions, which cannot be digitalized, through counseling and other customer services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



ant 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 their impact under our DX strategy, we periodically enhance and renovate the functions of the SUGI Pharmacy app. The app distributes information on disease prevention and health maintenance, unifies management of customer information through ID integration, and provides coupons based on customers' purchase histories, enabling us to establish one-to-one relationships without placing stress on customers. 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 endeavor to provide customers with opportunities to experience the physical and the digital seamlessly. For customer experience through digital tools, the SUGI Pharmacy app, boasting 12 million downloads, will play a major role. Presently, the SUGI Pharmacy app annually draws a total of approximately 350 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



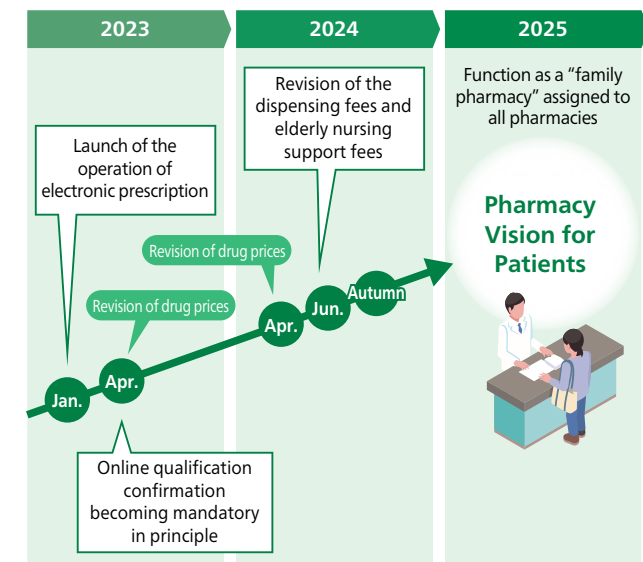
Customer experience enhanced with the shopping smartphone app

fortune to have opportunities to take care of our challenges, we will ensure that FY2024 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

As indicated by the launch of the operation of electronic prescription and the promotion of the online qualification

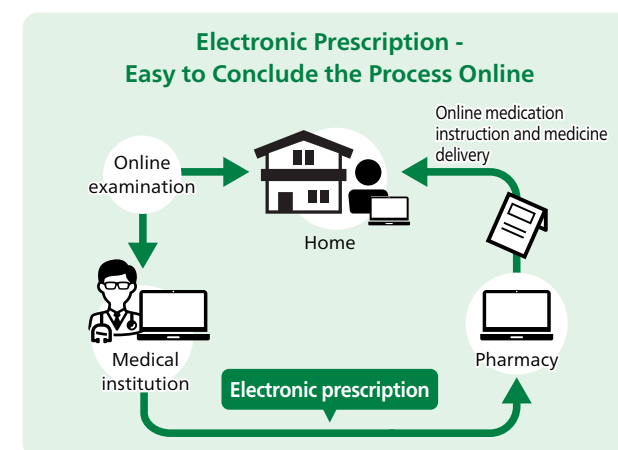
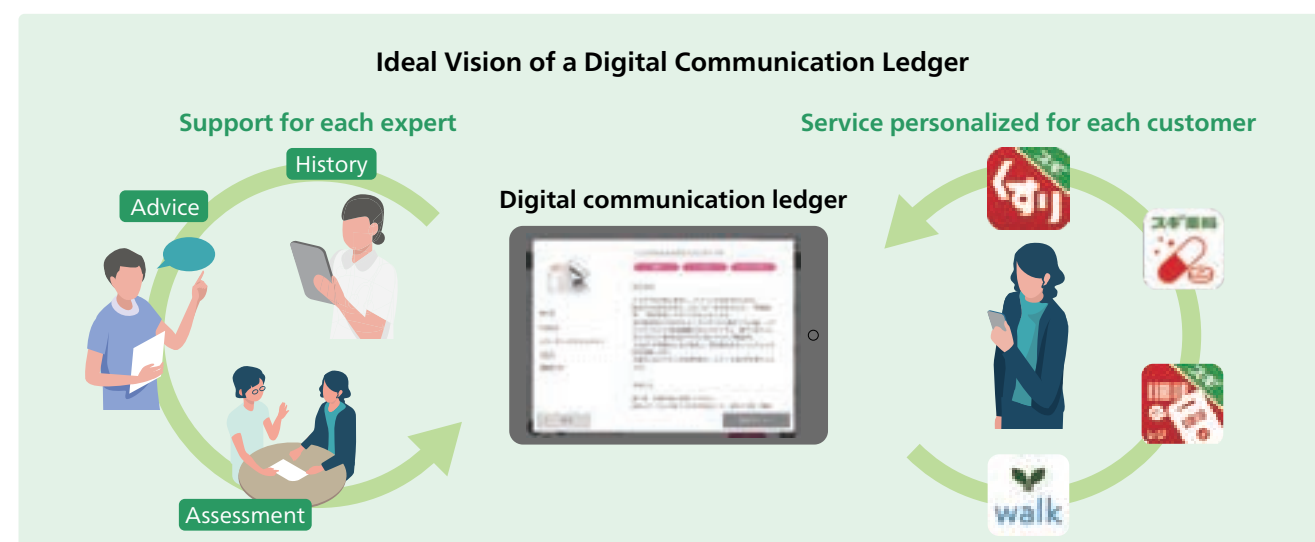
confirmation as a generally mandatory effort, there are various ongoing initiatives beneficial to patients, medical institutions, and pharmacies. While taking full measures, such as establishing the necessary frameworks and response schemes, we have completed the introduction of an online qualification confirmation system, which is used at all our stores. For patients, electronic prescription is beneficial because it enables them to receive medical examinations, prescriptions, and dispensing services based on accurate and real-time information, which will enhance therapeutic effects, and reduce unnecessary medicine through polypharmacy checking. For medical institutions and pharmacies, electronic prescription makes it possible to share the necessary information between 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. 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. 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, an 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 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 partnerships 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 enable many more patients to use our pharmacies even more comfortably, we are making efforts to reduce the waiting time. While placing our first priority on safety, we are improving our operations, introducing new equipment, raising our efficiency in every aspect, and increasing our operating speed, thereby taking on the challenge of reducing patients' 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 increase 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.

Mid-Term Management Plan

The year 2026 will mark the 50th anniversary of the foundation of SUGI Pharmacy. How should the SUGI Pharmacy Group be in the memorial year? Having formulated the ideal vision based on a future perspective, we have established the Mid-Term Management 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 healthcare," "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. In FY2023, we completed the consolidation of the foundation, which we had worked on in the first two years. While fundamentally reviewing various strategies, including those for DX, product development, store openings, overseas operations, and human resources, we proceeded with various experiments and initiatives, which has given us a solid sense that the foundations has been consolidated. FY2024 sees the start of the three years for us to grow into a corporate group with sales of 1 trillion yen. Let me remind you that this mid-term plan presents quantitative targets based on our own growth potential. On the other hand, we expect that the drug and pharmacy industries will experience the acceleration of an oligopoly, with M&A transactions worth hundreds of billions of yen concluded over the next few years. Based on this expectation, we will operate our business with a minimum target of achieving sales of 1 trillion yen.

Reinforcement of SUGI Holdings' Functions

Our growth strategy features not only the establishment of new stores but also a great shift toward digital operation, healthcare, overseas expansion, and M&A. In addition, the number of our group companies is increasing. In this background, in FY2024, we will reinforce the functions of SUGI Holdings and establish a framework to support the growth of the entire SUGI Pharmacy Group.

As part of the efforts to do so, we will introduce an executive officer system to strengthen the management and supervisory functions and clarify the execution responsibility at SUGI Holdings. We will create the post of executive officer in charge of “corporate planning and finance” in order to accelerate the speed of our M&A transactions, investment,

etc. and to reinforce the SUGI Pharmacy Group's corporate planning, finance, and M&A strategies. Taking account of the increasing importance of the management of human assets, such as experts and those with management skills within the Group, we will also establish the post of executive officer responsible for “HR, management, and risks.” In addition, we will form the posts of executive officers in charge of the following group-wide affairs: “medical care and prescription dispensing” to handle prescription dispensing risks and external affairs; “DX and branding” to proceed with digitalization and branding; and “overseas operations” to realize significant business growth in the future.

In the future, we will also create a framework whereby execution responsibility will be delegated to the presidents of our subsidiaries.

In this environment, SUGI Holdings is required to provide speedy business support and visualization business operations. SUGI Holdings will strengthen its function as the control center that features a bird's-eye view of the business situation of each group company and allocates the necessary management resources, thereby providing full-out support.

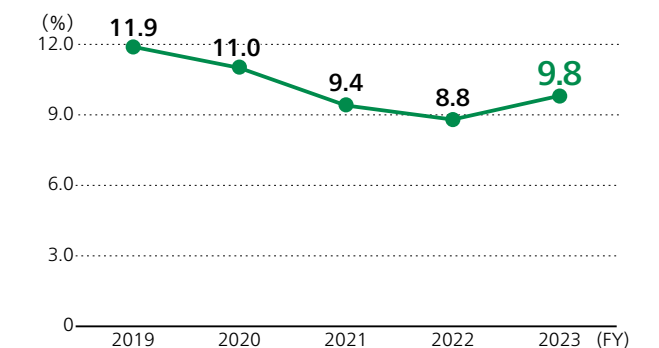
Management with Awareness of Capital Cost and Stock Price

Starting from FY2024, we will appoint an executive officer in charge of corporate planning and finance, thereby strengthening management with awareness of capital cost and stock price.

After accurately quantifying our capital cost, we formulate management strategies and mid-term management plans in view of changes in the external environment and disclose

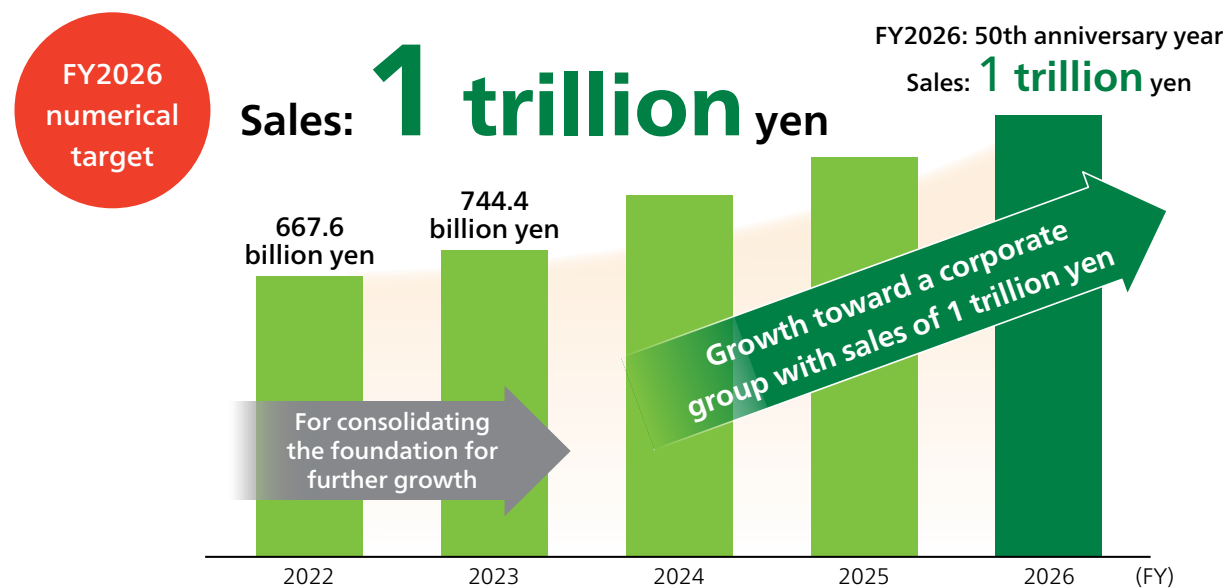
their overviews. As for the formulated management strategies and mid-term management plans, we annually check and analyze the progress and take the necessary measures based on our management resource allocation plans, including those for investing in launching new business, establishing new stores and associated systems, and developing human assets. Regarding fundraising for new, large-scale M&A transactions and business investments, we follow the financial policy with the enhancement of shareholder value on our mind. In addition, in order to raise shareholder value, we will strive to increase ROE and ROIC on a mid- and long-term basis, return value to shareholders on a continuous and stable basis, and make investment for further growth. Setting ROE and ROIC as important indexes for creating sustainable shareholder value, we will strive to always improve productivity, total asset turnover ratio, etc. and raise ROE and ROIC continuously on a mid- and long-term basis.

Financial index ROE



In the future, we will introduce ROIC as a new index to identify capital cost accurately, improve business portfolio management and investment efficiency for setting up new stores, and allocate management resources, such as those for launching new business investment, properly. To introduce ROIC, we have started by visualizing ROIC according to the business segment as part of our efforts to establish a necessary framework. We plan to establish links between ROIC and KPIs and begin trial operations for workplaces. While doing so, we will accelerate our efforts to form a system for utilizing the ROIC index and ensure that it takes root throughout the company.

Actually, we have decided to carry out a stock split. The purpose of the stock split is to lower the stock price per investment unit, thereby making it easier for investors to invest and expanding the investor base. We have disclosed our dividend forecast after comprehensively taking into consideration the 3-for-1 stock split of common stock, our basic policy on shareholder returns, and our financial condition. The annual dividend forecast of 35 yen for the fiscal year ending February 2025 is converted to an annual dividend forecast of 105 yen before the stock split, an increase of 25 yen in real terms from the annual dividend forecast of 80 yen for the fiscal year ended February 2024. We will continue to strive to operate in a way that will allow many shareholders to feel confident and actively invest in us.



Mid-Term Management Plan with the Final Year Set on FY2026

Growth strategy	Deepen operations in the field of healthcare	<ul style="list-style-type: none"> Set up stores with a focus on healthcare (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 assets toward the next generation

*SCM: Supply chain management

Growth Milestones

Establishment

The number of drugstores exceeds 500.

The number of drugstores exceeds 1,000.

The number of drugstores exceeds 1,500.

1976 2000

2006

2010

2016

2020

2023 2024

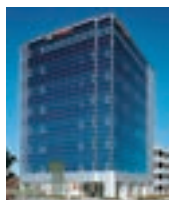
- 1976 ● Launched as a "family pharmacy" in a small town in Nishio City, Aichi Prefecture
- 2001 ● Established the first store in the Kansai area to make inroads into the area
- 2001 ● Listed on the first section of the Tokyo Stock Exchange
- 2001 ● Introduced the SUGI Point card system to all the stores
- 2003 ● Constructed our own building in front of Mikawa-Anjo Station and relocated the headquarters there to enhance the functions of the headquarters
- 2006 ● Established the first store in the Kanto area to make inroads into the area
- 2007 ● Acquired full ownership of Japan Co., Ltd.
- 2008 ● Acquired full ownership of Iizuka-yakuhin Co., Ltd.
- 2008 ● Changed the trade name Sugi Pharmacy Co., Ltd. to SUGI Holdings Co., Ltd.
- 2008 ● Transferred to a holding-company system through an incorporation-type company split, with Sugi Pharmacy Co., Ltd. and SUGI Medical Co., Ltd. newly established
- 2011 ● Integrated with Iizuka-yakuhin Co., Ltd.
- 2013 ● Established the first key store for strategic dominance in Nishio City
- 2013 ● Achieved a corporate integration between Sugi Pharmacy Co., Ltd. and Japan Co., Ltd.
- 2016 ● Relocated the headquarters to Obu City and added our own logistics center to the headquarters
- 2018 ● Concluded a capital and business alliance with the MedPeer Group
- 2018 ● Established DCP Solution Co., Ltd. to provide support for doctors to open clinics
- 2019 ● Launched a specific health guidance service by nationally certified dietitians
- 2019 ● Established a pharmacy on the premises of a national university's hospital, which was the first case in the drugstore industry
- 2020 ● Concluded a capital and business alliance with Inagora Holdings Co., Ltd.
- 2020 ● Established S Trading Co., Ltd. to supply products to both domestic and foreign markets
- 2020 ● Concluded a business alliance with PREVENT Co., Ltd.
- 2021 ● Concluded a business alliance with Omicare Joint Stock Company (Vietnam)
- 2022 ● Transferred to the Tokyo Stock Exchange Prime Market and the Nagoya Stock Exchange Premier Market
- 2022 ● Concluded a business alliance with Scroll Corp.
- 2022 ● Concluded a business alliance with ALPRO Pharmacy (Malaysia)
- 2023 ● Established a joint venture with SUGI Holdings Co., Ltd. and Alpro Pharmacy
- 2023 ● Concluded a capital and business alliance with Japan Hospice Holdings Inc.
- 2023 ● Concluded a capital and business alliance with Great Tree Pharmacy Co., Ltd. (Taiwan)
- 2023 ● Concluded a business alliance with Excellent Wellbeing International Co., Ltd.
- 2023 ● Acquired full ownership of Hikari Pharma Co., Ltd.
- 2023 ● Acquired full ownership of NIHONDO Co., Ltd.
- 2023 ● Concluded a business alliance with the Sakura Pharmacy Group
- 2024 ● Established SUGI Wellness Co., Ltd., a company that provides disease prevention support services



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)



Great Tree Pharmacy Store



Aoyama Main Store, NIHONDO

- 2016 ● 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
- 2017 ● Concluded comprehensive partnership agreements with local governments toward the realization of sustainable community development
- 2018 ● Acquired Platinum Kurumin certification
- 2018 ● Concluded a partnership contract with FC Kariya, a nonprofessional soccer team
- 2019 ● Concluded a comprehensive partnership agreement with the Faculty of Pharmacy, Kindai University
- 2020 ● Established a joint research course with Kanazawa University
- 2020 ● Launched sales of a lifestyle-related disease risk report using big data
- 2021 ● Concluded a comprehensive agreement on regional revitalization SDGs with Aichi Prefecture
- 2021 ● Awarded the grand prize of Supply Chain Innovation Award 2021
- 2021 ● Established the ESG Promotion Office and the Sustainability Committee
- 2022 ● Received refugees from Ukraine at SUGI Pharmacy under a labor support program by Obu City
- 2022 ● Established a human rights policy for the SUGI Pharmacy Group
- 2022 ● Made donations for the 2024 Noto Peninsula Earthquake, including donations collected through the SUGI Point system
- 2024 ● Certified for six years in a row as an outstanding enterprise in terms of health and productivity management



The Sugiura Memorial Foundation certified as a public service corporation



Business Development

Community Healthcare and Social Contribution

- 2003 ● Transferred to a holding-company system through an incorporation-type company split, with Sugi Pharmacy Co., Ltd. and SUGI Medical Co., Ltd. newly established
- 2006 ● Established the first store in the Kanto area to make inroads into the area
- 2007 ● Acquired full ownership of Japan Co., Ltd.
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- 2008 ● Transferred to a holding-company system through an incorporation-type company split, with Sugi Pharmacy Co., Ltd. and SUGI Medical Co., Ltd. newly established
- 2011 ● Established the Sugiura Community Healthcare Promotion Foundation, with Hirokazu Sugiura and Akiko Sugiura as its founders
- 2009 ● 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
- 2009 ● Launched cosmetic therapy at facilities for senior citizens and hospitals
- 2009 ● Established SUGI Smile Co., Ltd. to promote disabled employment
- 2008 ● Launched home-visit nursing and elderly home-care support services
- 2005 ● Launched a facility-visit prescription dispensing service for facilities for senior citizens
- 2003 ● Launched aseptic prescription dispensing in a clean room
- 2002 ● Launched a home-visit prescription dispensing service for individual patients
- 2013 ● Launched the donation of AEDs to facilities for senior citizens
- 2013 ● Organized endowment of course on comprehensive community care systems, which was the first case in Japan, at Nagoya University
- 2013 ● Launched the donation of medical wigs to breast cancer patients



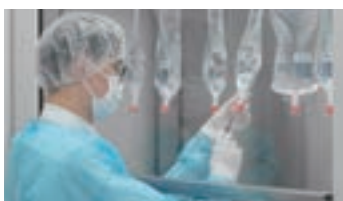
Home-visit prescription dispensing service launched



Home-visit nursing service launched



SUGIURA Community Healthcare Center donated



Clean room established

Figures Showing the SUGI Pharmacy Group's Strengths

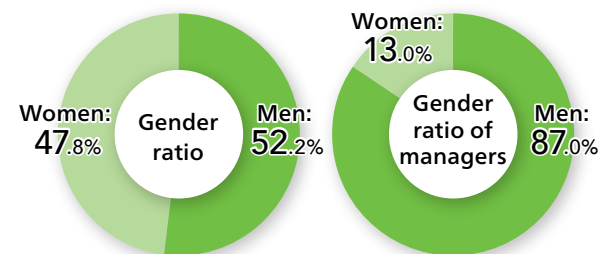
- Six Kinds of Capital Underpinning the Business Foundation -



A Wide Variety of Experts Accommodating Needs from Local Communities

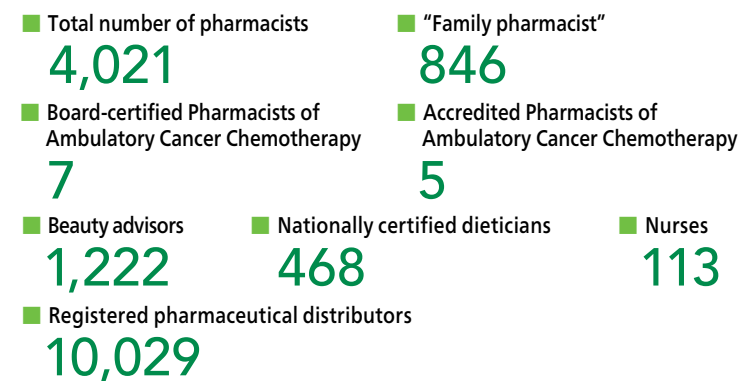
Number of full-time employees:

8,724



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

Experts *including partner employees



Investment in human asset development: **500** million yen



Network of Stores Underpinning Local Communities

Number of stores

*As of the end of February 2024

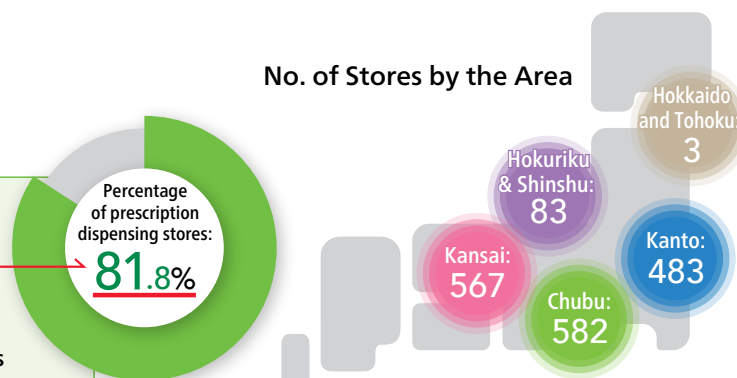
1,718 stores

Newly established
144 stores

SUGI Pharmacy:
1,569 stores (including 1,283 prescription dispensing stores)

Japan Co., Ltd.: 104 stores
Home-visit nursing stations: 16 bases
Stores providing a home-visit service: 601 stores
Home-visit prescription dispensing centers: 43 bases

No. of Stores by the Area



Sound Financial Foundation

Financial figures

Net sales on a consolidated basis: **744.4** billion yen

Total assets: **390.5** billion yen

Operating income on a consolidated basis: **36.6** billion yen

Profitability

Operating income ratio on a consolidated basis: **4.9** %

Ordinary income ratio on a consolidated basis: **5.1** %

Financial foundation / safety / efficiency

Equity ratio: **59.8** %

Cash and deposits: **43.4** billion yen

EBITDA: **52.1** billion yen



Prescription Dispensing Know-how Accumulated since Our Establishment

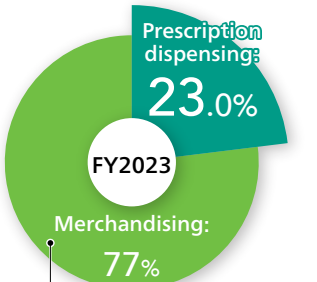
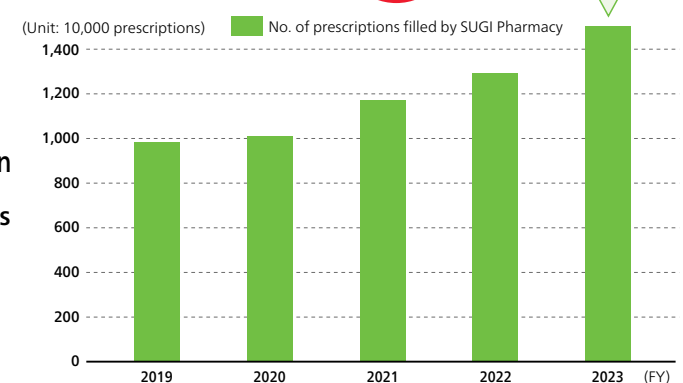
Sales of prescription dispensing:

158.7 billion yen

No. of medical institutions whose prescriptions are filled by us:

59,193 institutions

Number of Prescriptions Filled



Break-down

Healthcare: 20.0%
Beauty items: 18.4%
Household ware: 18.7%
Food: 19.9%



Relationship of Trust with Customers and Local Communities

No. of annual visitors:

340 million visitors

SUGI Point membership:

22.23 million members

Number of app downloads:

12.97 million downloads

*Number of downloads of SUGI Pharmacy app and SUGI Smartphone Medicine Service app

No. of agreements with local governments:

100 agreements



Natural Capital Underpinning Our Business Operations

Energy consumption

314,266 thousand kWh/year

*FY2022 result

Water consumption*

755,045 m³/year

*Calculated as an estimate by dividing the amount of water charge by unit charge rate (Obu City, Aichi)

*FY2022 result

Figures Showing the SUGI Pharmacy Group's Sustainability

Healthy Community →P63

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

601 stores

Local alliance pharmacies:

21 stores

No. of pharmacies allied with specialized medical institutions:

3 stores

No. of stores equipped with an AED: **282** stores

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

Percentage of prescriptions sent through the *SUGI Smartphone Medicine Service* app:

16.5 %



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

189 thousand patients

Target **250** thousand patients (by the end of FY2025)

Sustainable Business Partnership →P77

Percentage of eco-friendly private brand products:

14.4 %

Target **30** %
(By the end of FY2030)



Percentage of private brand product sales:

9.9 %

Sustainability policy information session for business partners:

421 attendees

Contribution to the Global Environment →P85

We are aiming to introduce renewable energy to approximately 100 stores, excluding the stores already equipped with solar panels, through an off-site PPA by the end of FY2024.

Number of stores equipped with solar panels

117 stores

No. of stores collecting resources* for recycling

88 stores

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

Healthy Workplace Environment →P93

Percentage of female managers:

13.0 %

Target **30** % (by the end of FY2029)

Percentage of employees who took parenting leave (%)

Men: **55.7** % Women: **97.4** %

Engagement index:

3.2

Target **3.5** (by the end of FY2024)
4.0 (long-term target)

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

Men: **98.9** % Women: **98.6** %

Health checkup rate: **99** %

Corporate Governance →P103

*As of May 22, 2024

Percentage of outside directors:

57 %

Percentage of female directors:

14 %

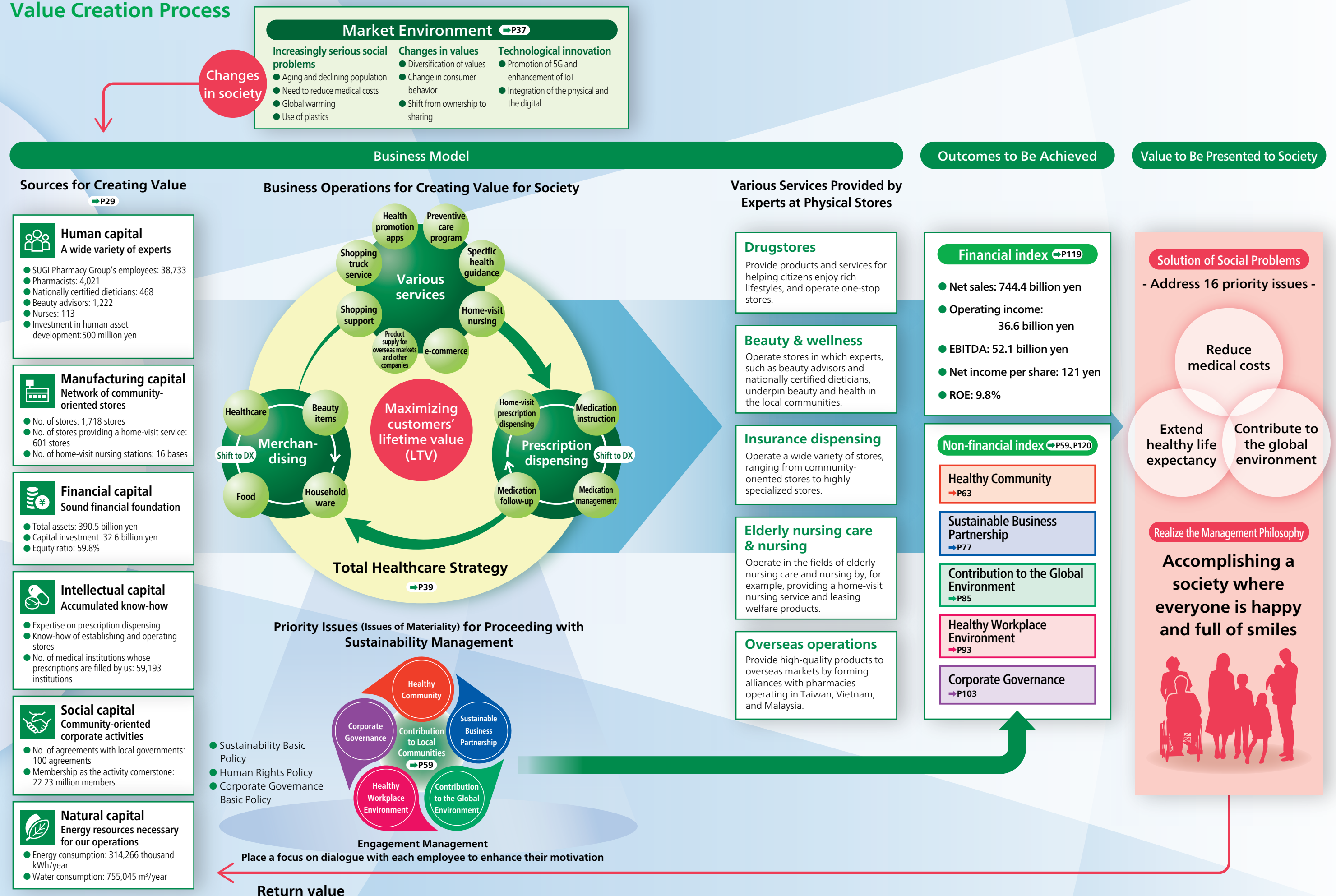
No. of dialogue sessions with investors:

218 sessions

Percentage of outside auditors:

75 %

Value Creation Process



02

Strategy Implementation Framework and Group Companies' Business Reports and Profiles

- 37 Market Environment
- 39 Organizations and Business Operations to Proceed with the Total Healthcare Strategy
- 53 Financial/Non-financial Highlights
- 55 Message from the Chairman

In the SUGI Pharmacy Group, we are pursuing the Total Healthcare Strategy.

While taking advantage of our human capital, we are currently pushing

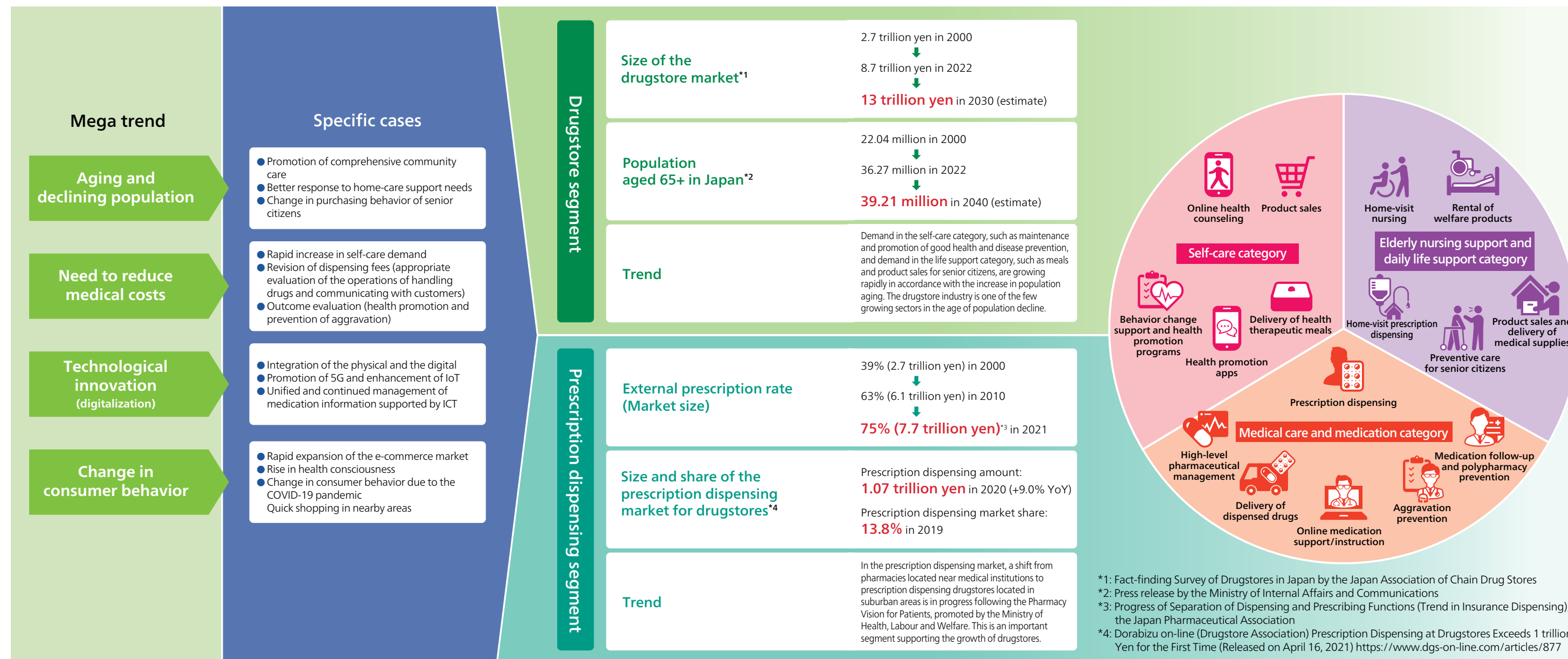
forward with DX and expanding our network, thereby striving to demonstrate

a further growth curve.



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 healthcare 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 electronic prescription

*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.”**
• High-level pharmaceutical management
• “Family pharmacy” + health support functions

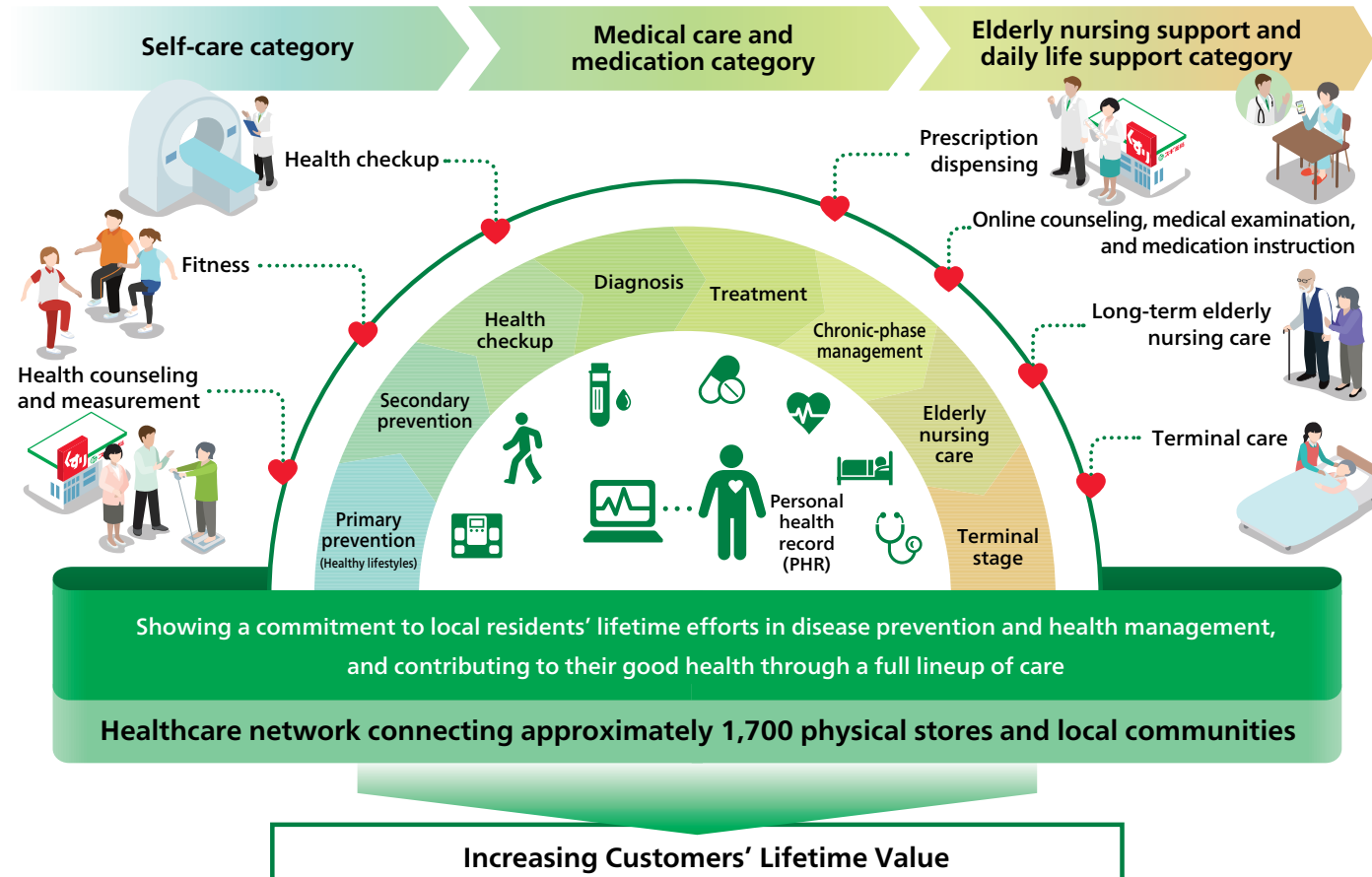
2035: **Pharmacies will demonstrate the “family pharmacy” function in daily living areas.**
• Placing a high value on pharmacies relocated to a daily living area

Organizations and Business Operations to

Total Healthcare Strategy through Integration of the Physical and the Digital

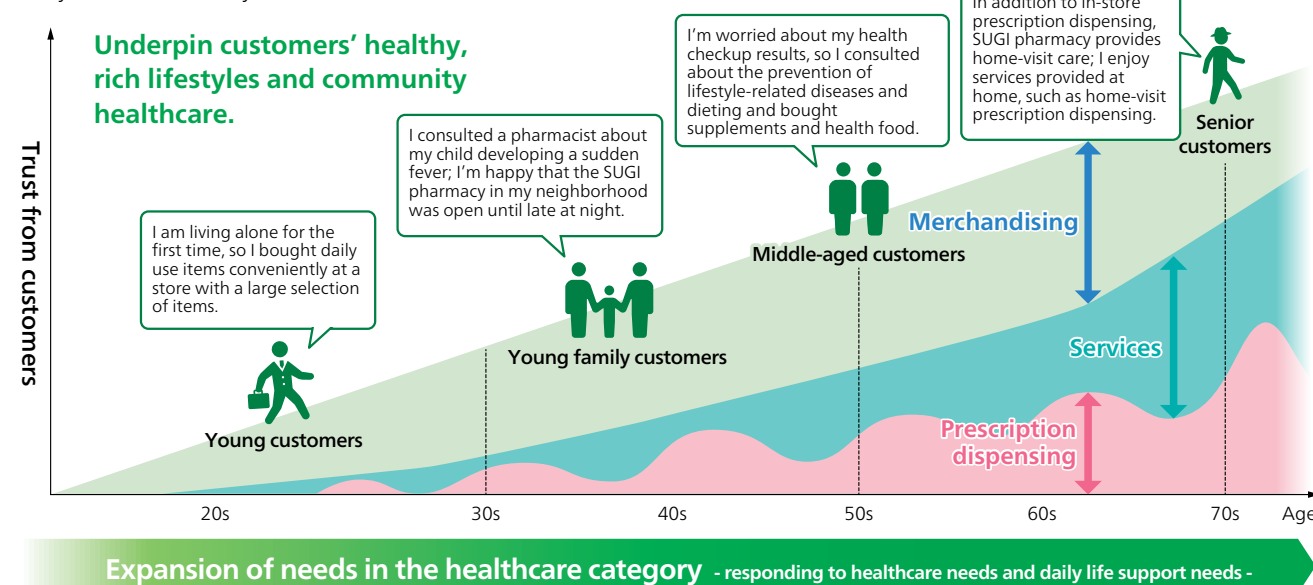
Contribute to Local Communities through Total Health Support, Ranging from Self-Care to Medical Care, Medication, Elderly Nursing Support, and Daily Life Support

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.



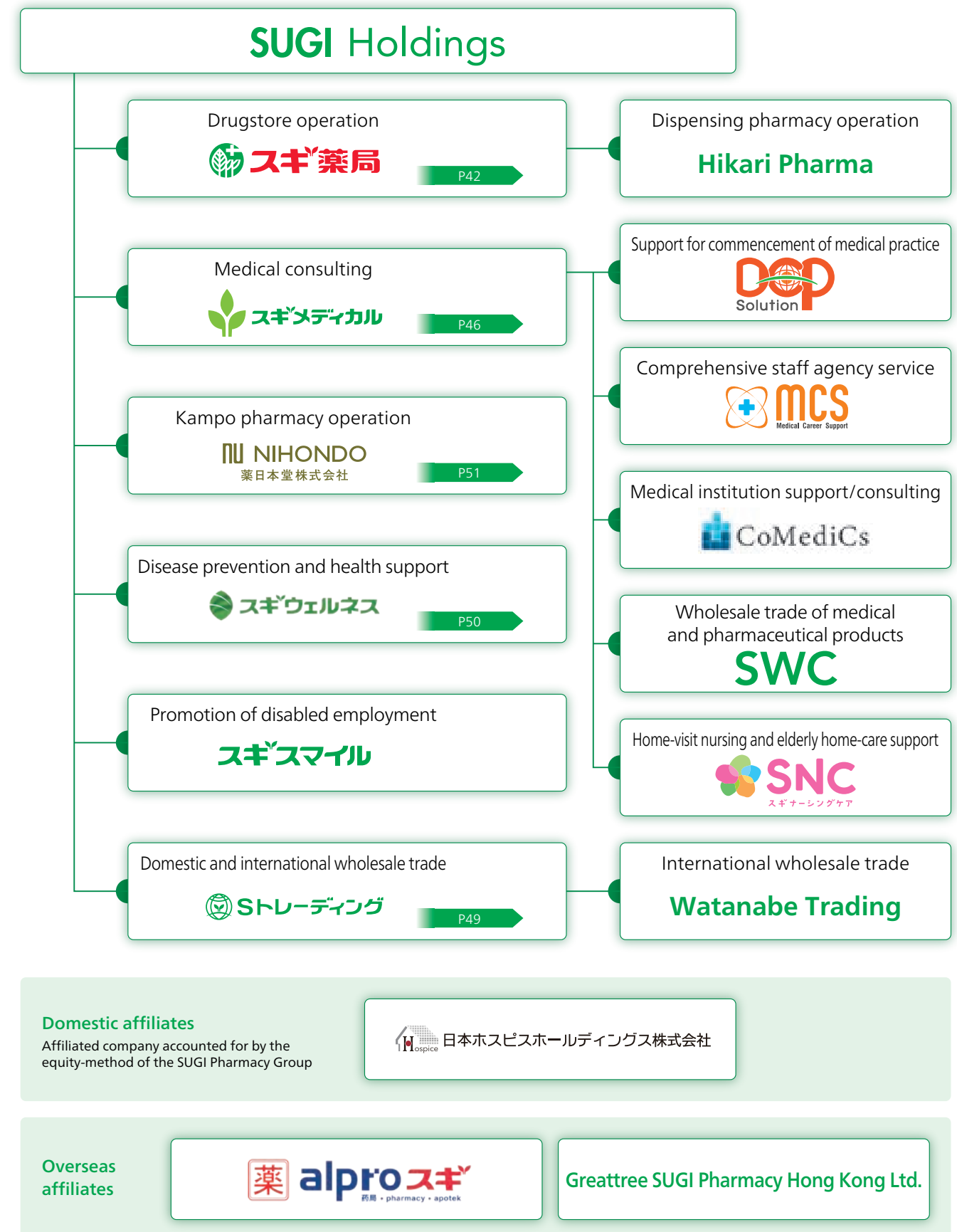
Increasing Customers' Lifetime Value

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.



Proceed with the Total Healthcare Strategy

SUGI Pharmacy Group



SUGI Pharmacy Group Companies to Proceed with the Total Healthcare Strategy

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

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

SUGI Pharmacy Business Report

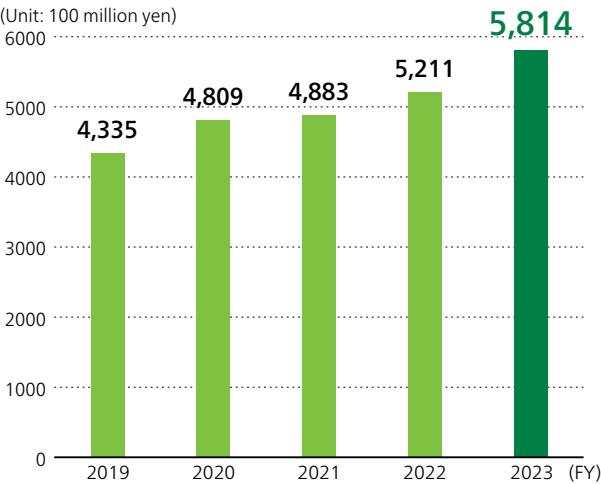


For SUGI Pharmacy's business, this fiscal year again saw strong sales in both merchandizing and prescription dispensing. Our further increase in the number of subsidiaries and strategic partners is leading to improvement in our healthcare network. By expanding our store network and further enhancing our collaborative relationships, we will continue to promote the Total Healthcare Strategy.

Merchandising

In the merchandising field, we strengthened store openings in areas where the flow of people and the increase in inbound tourists were prominent, and we also worked to increase sales in urban areas, including sales from inbound tourists, by renovating existing stores and beginning to handle new product lines. At the same time, we aggressively renovated existing stores in the suburbs to acquire new customers by enhancing our product lineup tailored to meet local needs. We also worked proactively to distribute optimal information and coupons to individual customers using the SUGI Pharmacy app to increase the number of items purchased. As a result, we recorded net sales of 581.4 billion yen (111.6% of the previous fiscal year's level) amidst the severe market environment.

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



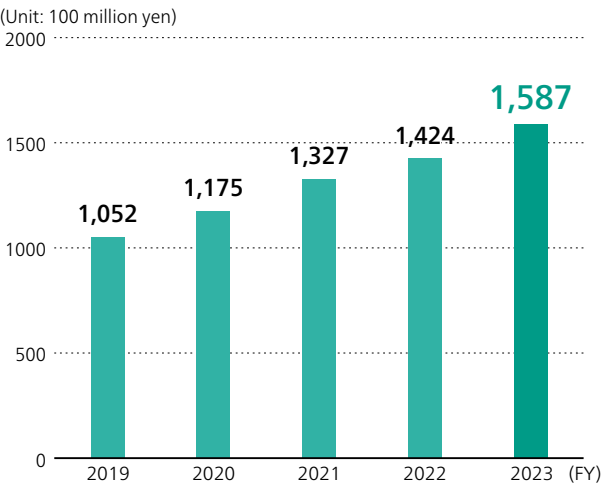
*The merchandizing sales for FY2023 include effects of the Accounting Standards for Revenue Recognition, while those for FY2022 do not.

Prescription dispensing

In the prescription dispensing field, we strived to further expand our business by opening new stores and enlarging or renovating dispensing rooms and waiting rooms in order to respond to an increase in the number of prescriptions to be filled.

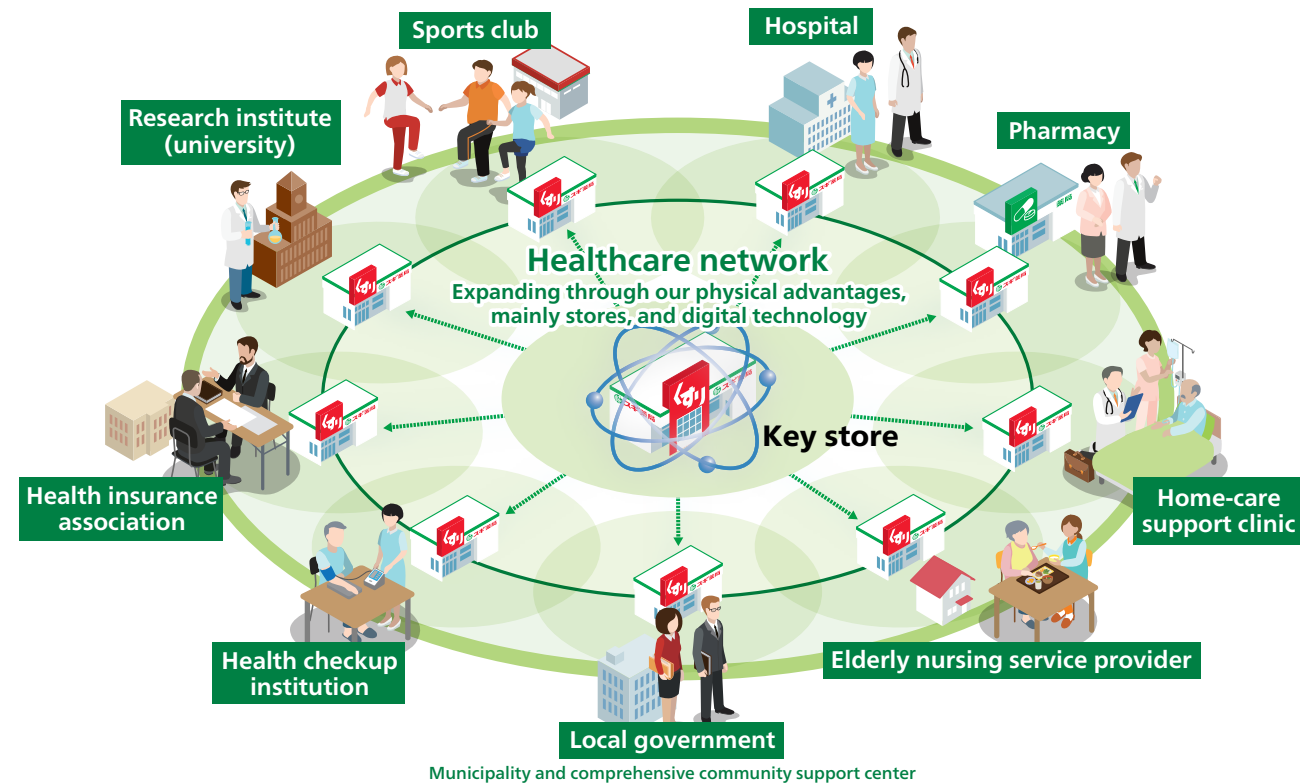
In home-visit prescription dispensing, where the market is expected to expand, we opened stores dedicated to home-visit prescription dispensing and worked to create a framework that can address community healthcare by strengthening coordination with Japan Hospice Holdings Inc., our capital and business alliance partner. We also sought to improve the quality of our communication with customers by strengthening professional training for pharmacists, and we strived to acquire many more expensive prescriptions to reinforce our revenue base in the prescription dispensing field. As a result, we filled 14.75 million prescriptions (114.3% of the previous fiscal year's level), with sales in prescription dispensing services reaching 158.7 billion yen (111.5% of the previous year's level).

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



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 healthcare. They also have a community space where events organized by nationally certified dietitians and other experts take place on a regular basis.

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 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 Sales Floors and Improvement of the Product Lineup to Accommodate Inbound Demand

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



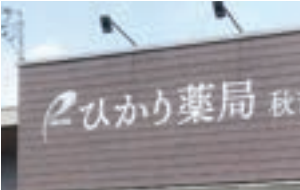
Introduction and Enlargement of Perishable Food and Meat Corners in Cooperation with Concessionary Chain Operators

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.



Further Promotion of the Total Healthcare Strategy by Making Hikari Pharma a Subsidiary

In December 2023, Hikari Pharma Co., Ltd. joined our group as a subsidiary. Founded in Toyama Prefecture in 2003, the company is a community-based prescription dispensing pharmacy. Operating a total of 13 stores mainly in Takaoka City, as well as in Tonami City, Toyama City, and Imizu City in Toyama Prefecture, and also in Kahoku City in Ishikawa Prefecture, the company has been supporting the health of local residents as a “family pharmacy” while building strong relationships of trust with medical institutions. Striving to become a trusted prescription dispensing pharmacy in the Hokuriku area, the company will contribute to further promoting the Total Healthcare Strategy.



High-Profile Stores Established in FY2023

Experimental Store Opened in Collaboration with Aisin Corporation to Enable Customers to Experience Cutting-edge Wellness

In September 2023, we opened SUGI+ Haneda Innovation City Store in Ota City, Tokyo. This is an experimental store that provides not only residents and office workers in the area but also many other prospective customers, such as inbound tourists and those with disabilities, with opportunities to experience cutting-edge healthcare based on the theme “future health.” We offer a variety of unique programs and products realized through the combination of traditional Japanese health techniques and the latest wellness technology.



In the experience space called “SUGI+ STUDIO,” visitors can actually try out experimental products developed by startups and large corporations. Such items mainly include healthcare appliances and beauty care appliances, which SUGI Pharmacy has not handled so far.



Trainee Shop Assistant, Saya+

Interactive artificial intelligence (AI) developed by Aisin has been introduced in the store. The virtual character called “Trainee Shop Assistant, Saya+” appears on a store display and chats with customers. The virtual shop assistant suggests products for the customers based on the conversation with them and their attributes detected by an AI camera.

Strive to Serve as the Main Framework Underpinning Local Healthcare by Reinforcing the Partnership with Other Companies and Establishing and Consolidating the Community Healthcare Partnership Foundation

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

SUGI Medical Group's Business Profile

We are working to expand our network with medical institutions and nursing care businesses, which are essential to community healthcare. By leveraging the functions of the subsidiaries in our group, we provide the following services:

- 1 Solve management issues faced by players in the medical and nursing care fields, such as medical institutions and nursing facilities for senior citizens
- 2 Solve management issues by providing our group's know-how to prescription dispensing pharmacies and drugstores

DCP Solution Co., Ltd. (DCP)

Support for Commencement of Medical Practice

A medical institution housed in a drugstore can benefit from the drugstore's ability to attract many customers. To share such a benefit and underpin local citizens' daily lives and community healthcare, we focus on support for clinics to start their practice as one of our business mainstays. We have assigned full-time consultants for supporting the commencement of medical practices to the four areas of Kanto, Kansai, Chubu, and Hokuriku/Nagano, where we operate stores. We have so far provided support for the commencement of medical practices in approximately 170 cases (including nine medical malls), an industry-leading record. In the future, we will place further focus on support for those who wish to hand down their businesses to the next generation and on the formation of medical malls, thereby aiming to underpin community healthcare.

Achieve the Ideal Medical Practice by Operating in a Drugstore



Support Examples

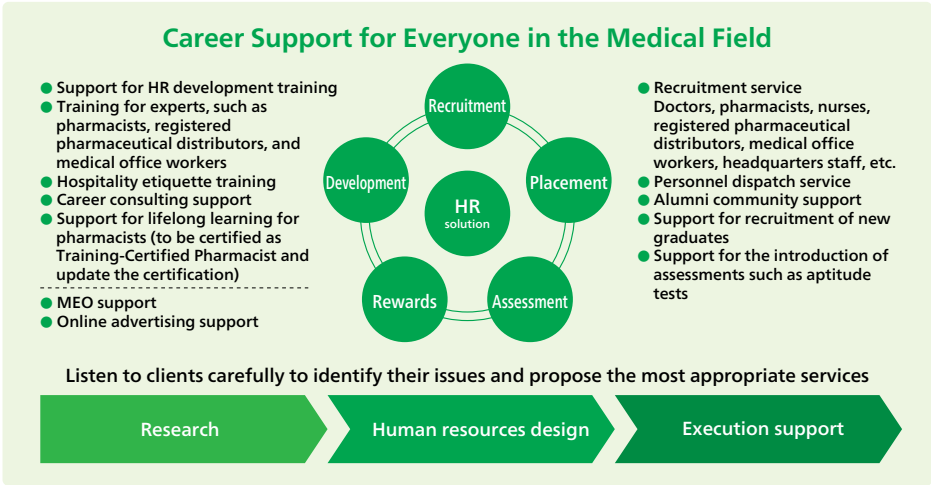




MCS Co., Ltd.

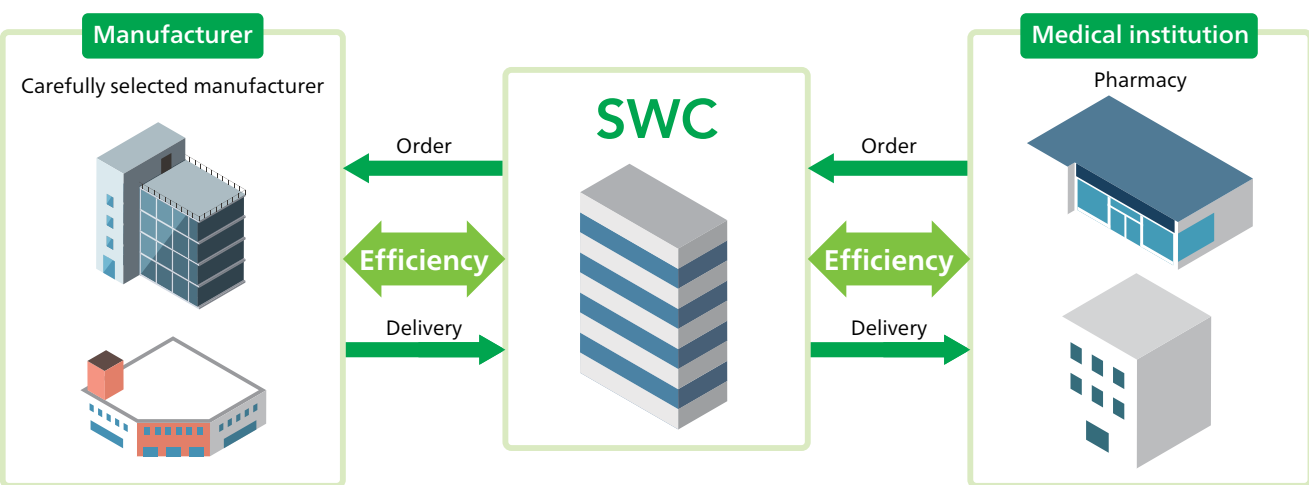
Focusing on the recruitment of medical professionals such as doctors and pharmacists, we help businesses solve their human capital problems.

Our experienced personnel and HR consultants provide total support from the perspective of human assets, including support for recruitment of new graduates and mid-career workers, career development, and various kinds of training, so that the clients can expand their operations. For individuals who wish to develop their careers, we offer a wide range of support, from support to find the most suitable job to support to return to their original work.



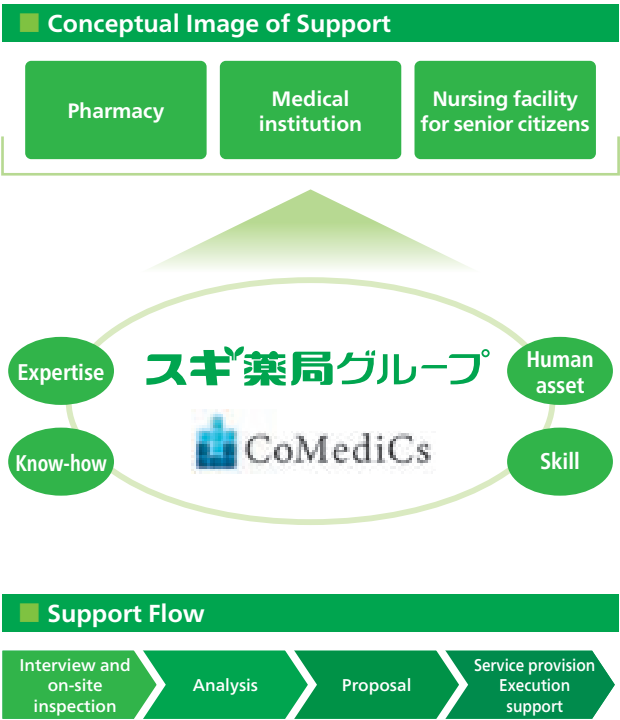
SWC Co., Ltd.

- We are a wholesaler mainly dealing in generic drugs, which play an important role in controlling national medical expenses.
- To achieve efficient logistics that takes the SDGs into consideration, we work in cooperation with medical institutions and pharmaceutical manufacturers.
- For the products that we handle, we are fully informed by their makers to ensure their quality.



CoMediCs Co., Ltd.

By supporting medical and nursing care businesses, mainly through consulting services that utilize the knowledge and know-how of the SUGI Pharmacy Group, we help solve social issues and contribute to local residents' healthier lives.



Support Programs		
Field	Item	
Support for medical institutions	Consulting	Local alliance support
		Support for establishing branches and expanding operations
	Operation on consignment	Support for administration operations (receipt claim and medical material management)
Support for pharmacies	Consulting	Support for medical office workers and managers' operations
		Support for the introduction of pharmacies specializing in home-visit prescription dispensing
		Local alliance support
Support for nursing care facilities for senior citizens	Consulting	Support for training for pharmacists and medical office workers
		Support for receipt claim processing
		Support for drawing nursing care facility residents



SUGI Nursing Care Co., Ltd.

Nurses, physical therapists, occupational therapists, etc. visit those who require nursing care at home and in-home patients to provide support for their daily lives as well as medical care and rehabilitation.

Located at the Hayashiji Store of SUGI Pharmacy, we established a home-visit nursing station in 2008 and a care planning center in 2012 to launch services underpinning home healthcare together with pharmacists. We currently have 22 offices in Osaka, Aichi, Kanagawa, and Chiba prefectures.

Main Services

- Observation of illness**
Check service users for their health conditions, such as illnesses and disabilities, through their blood pressure, temperature, pulse, etc.
- Assistance with daily living**
Provide support with daily activities such as toileting, bathing, and eating.
- Medical treatment as instructed by doctor**
Provide services such as preventing and treating bedsores, managing catheters, and giving IV drips.
- Management of medical equipment**
Manage home oxygen, suction machines, artificial ventilators, etc.
- Home-visit nursing for infants**
Provide nursing care and rehabilitation for babies from 0 years old.
- Home-visit rehabilitation**
Provide various kinds of training, including swallowing training, contracture prevention, walking training, and independent excretion training.
- Terminal care**
Provide support for service users to spend their final days peacefully at home and share their final moments.
- Support for families**
Provide service users' families with consultation and guidance regarding nursing care, elderly nursing support and daily life activities, as well as with psychological support.
- Support for the use of nursing care insurance**
Support service users with the procedure of using nursing care insurance and create care plans.



Home-visit nursing station 16 stations
Care planning center 6 centers

We help those with illnesses or disabilities maintain their own lifestyles without worries in their familiar communities or homes. We also provide care for children and the disabled and offer advice and support to the families who care for them.

S Trading’s Business Profile

S Trading/Watanabe Trading

Group’s Partnerships Spanning Asian Countries

S Trading Co., Ltd. is a trading company founded in 2020 to expand the SUGI Pharmacy Group’s network both domestically and internationally. Operating mainly in Asia, we are expanding our business into the field of Asian pharmacy and drugstore chains by utilizing the SUGI Pharmacy Group’s network. We carry out transactions in Asian countries, where we are expanding our suppliers and other business partners by leveraging SUGI Holdings’ network. This expansion enables us to provide products and develop business in consideration of local needs. We are looking not only at Asia but also at the Middle East and Africa.

Existing export destinations

Taiwan, Vietnam, Malaysia, Thailand, Hong Kong, Macau, China (cross-border EC), Cambodia, Nepal, Singapore, Korea, Mongolia, and Kyrgyzstan

Major Operations



Import/export intermediation

Sharing of extensive sales know-how in the drugstore business

We have sales know-how cultivated by the SUGI Pharmacy Group in the drugstore business. We act as an intermediary in imports and exports while sharing knowledge to effectively introduce products to the market and strengthen their competitive edge in sales promotion.



OEM/ODM

Support for planning and development of original products, and their sales

We support the planning and development of original healthcare products, beauty items, and daily use items and sell them through our group network. This know-how enables highly unique products to be provided and brand value to be enhanced.

Achievements and Examples



Store development

We partner with overseas leading drugstore operators and work closely with local staff to provide accurate product information for local customers. In addition, some of our partner companies are licensed to use the SUGI Pharmacy Group’s trademark, allowing them to conduct store sales operations using in-store sales campaign items that are familiar in Japan. We can also help with product development that incorporates local feedback.



Promotion through social media

With the cooperation of our partner companies, we can disseminate information by utilizing our network covering local influencers. This leads to timely campaigns based on the latest information and cost-effective advertising, resulting in a profit increase.

Overseas Partner Companies to Proceed with the Total Healthcare Strategy



SUGI Wellness’s Business Profile

スギウェルネス Integration of the Physical and the Digital to Realize Effective Preventive Services

In March 2024, SUGI Wellness Co., Ltd. was established through an incorporation-type company split from Sugi Pharmacy Co., Ltd. SUGI Wellness aims to accelerate the integration of the physical and the digital and develop even more effective preventive services, such as remote health guidance, health management support through a PHR app, and early detection of disease risks through data analysis. We strive to strengthen the area of primary prevention/secondary prevention in the Total Healthcare Strategy.

Insurance Business Support Services for Insurers and Companies

Specific health guidance

Program for those who are highly likely to develop lifestyle-related diseases to review their lifestyles



Health guidance to prevent disease aggravation

Six-month health guidance program to prevent lifestyle-related diseases from becoming severe



Risk report

Provision of our original health information so that readers can easily understand disease risks and how to prevent diseases



Notification to encourage self-medication

Notification to encourage a conversion from a prescription drug to a switch OTC drug



NIHONDO's Business Profile



Proposal of Optimal Regimen and Choice of Kampo Medicine Tailored to Each Individual

NIHONDO is a leading Kampo counseling pharmacy with 16 stores nationwide. Based on our basic philosophy of “Yojo First, Kampo Second,” we propose the optimal regimen and choice of Kampo medicine tailored to each individual and handle a total of 94,000 physical and health-related consultations each year. With a Kampo counseling pharmacy with the three business formats of NIHONDO KAMPO BOUTIQUE, KAGAE KAMPO BOUTIQUE, and NIHONDO at the core, we conduct a wide range of businesses centered on Kampo medicine, including web media, a museum, product development, a Kampo school, commodity distribution, and supervision of books. Based on our knowledge and experience regarding Kampo medicine, which we have gained from handling the highest number of cases in Japan, we have earned the trust and respect of local residents.

Acquisition of Full Ownership

In December 2023, the SUGI Pharmacy Group acquired full ownership of NIHONDO Co., Ltd. We will develop highly original products that utilize NIHONDO's expertise in the field of Kampo medicines, develop new business formats for SUGI Pharmacy Group's stores, strengthen sales of OCT Kampo medicines, and promote demand for prescriptions, including those for prescription Kampo drugs. To increase the profile of SUGI Pharmacy's Kampo medicines, we will promote Kampo training for our group employees and disseminate information through various media. We will work to create synergies with NIHONDO.



NIHONDO KAMPO BOUTIQUE

Business Operations

Kampo store operation



NIHONDO KAMPO BOUTIQUE

The concept is to present Kampo in a modern way and make it more familiar to customers. Utilizing the wisdom of Kampo, the boutique proposes a variety of lifestyles.



KAGAE KAMPO BOUTIQUE

Based on the idea that medicine and aroma are equally important to health, the boutique approaches Kampo from the aspect of aroma. It is a beauty brand designed to refine the whole body both inside and outside.



NIHONDO

NIHONDO helps customers have better daily regimens through Kampo so that they can enhance their spontaneous healing power toward curing their illnesses from its root and achieving health in a true sense.

Online operations

We also focus on building relationships with customers through online operations, including Online Kampo Counseling, designed for customers to seek counseling easily from anywhere, our own EC site NIHONDO Online Shop, and our information website Kampo Life.



<https://www.kampo-sodan.com/>

Museum

We run the NIHONDO Kampo Museum (Aoyama, Tokyo), consisting of the four facilities of a boutique, a gallery, a restaurant, and a school. This is a complex where visitors can experience Kampo with all five senses.



Product development

In addition to planning and developing our own products, we also cooperate with various companies in product development. Utilizing the know-how of Kampo and medicinal food that has been cultivated since our founding in 1969, we are engaged in product development and recipe supervision using oriental ingredients unique to NIHONDO and cooperate in planning sales promotions.

<Product examples>

- Karada Meguri Tea Series and Dragon Boost (Coca-Cola Japan Co., Ltd.)
- Shoku-Yoji Curry (Morishita Jintan Co., Ltd.)
- NIHONDO Cough Drop (Lion Confectionery Co., Ltd.)
- Kirei Sojun Tea (three-way collaboration involving Ahn Mika and Aisei Pharmacy)
- And many more



School operations

NIHONDO Kampo School (Tokyo/Osaka)

Based on the theme “daily Kampo and regimen to ensure and maintain your health for yourself,” we have established our school in Tokyo (Aoyama) and Osaka (Umeda). The school features pharmacists, traditional Chinese physicians, and instructors with a lot of clinical experience obtained by working at stores. We offer a wide range of seminars, including one-day seminars where participants can learn the basics of Kampo, medicinal foods, acupressure points, and tongue inspection, as well as full-fledged courses designed for participants to obtain qualification as a Kampo regimen instructor.



Product logistics

To make Kampo medicinal cuisine more accessible to everyone, we develop porridge and other items as consumer products. We sell them through various channels, including supermarkets and convenience stores.

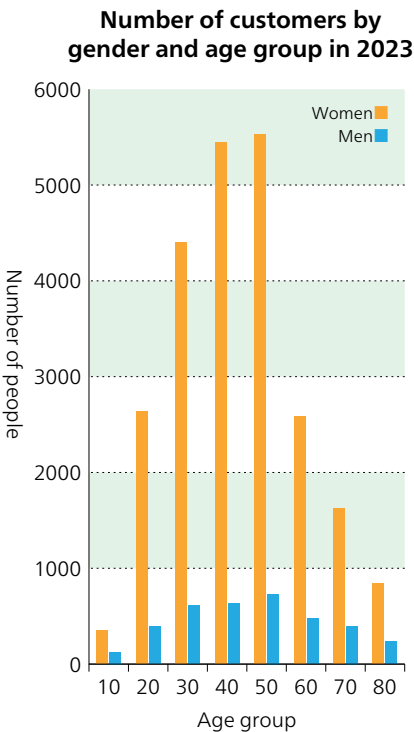


Supervision (of restaurants, books, etc.)

We are engaged in supervision in a wide range of genres centered on medicinal cuisine and Kampo, including supervision of the menu for the medicinal cuisine restaurant 10ZEN and cooperation in supervising books. We actively provide information that is useful for daily life, including not only on Kampo but also on diet, lifestyle habits, and acupressure points.



We have received a lot of support from women of all ages, especially those in their 30s to 50s. We are engaged in Kampo counseling in a total of 94,000 cases per year, which enables us to gain a deep understanding of the health needs of each age group.

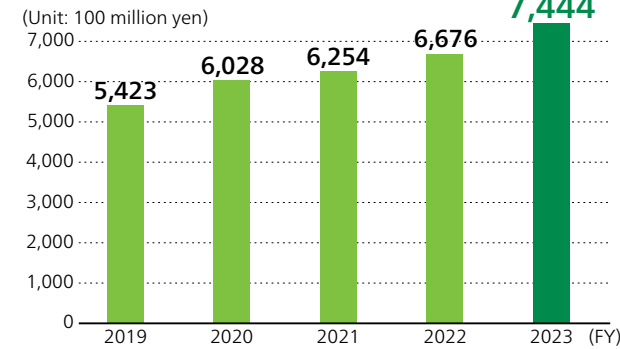


	Women in their 20s	Women in their 30s	Women in their 40s	Women in their 50s	Women in their 60s
Counseling cases No. 1	Dieting	Infertility	Fatigability	Menopause	Fatigability
Counseling cases No. 2	Menstrual problems	Fatigability	Dieting	Fatigability	Dieting
Counseling cases No. 3	Poor circulation	Poor circulation	Poor circulation	Dieting	Insomnia
Counseling cases No. 4	Acne	Dieting	Infertility	Poor circulation	Poor circulation
Counseling cases No. 5	Fatigability	Menstrual problems	Swelling	Swelling	Constipation

<Totaled Results>
• Many people in an extensive range of age groups are concerned about their fatigability. In addition, many women suffer from gynecological problems, including menstrual problems, which are a common concern among women in their teens to 40s.
• “Poor circulation” is ranked in the top five across all age groups. It is often said that all kinds of disease come from poor circulation. As indicated by this, some people suffer from a disorder originating from poor circulation.
*Survey period: Jan. - Dec. 2023
Survey subjects: Customers who sought counseling for the first time during the survey period at stores directly operated by NIHONDO Co., Ltd.

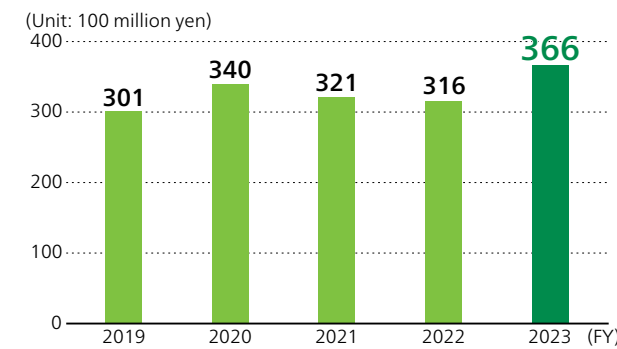
Financial/Non-financial Highlights

Financial index Net sales

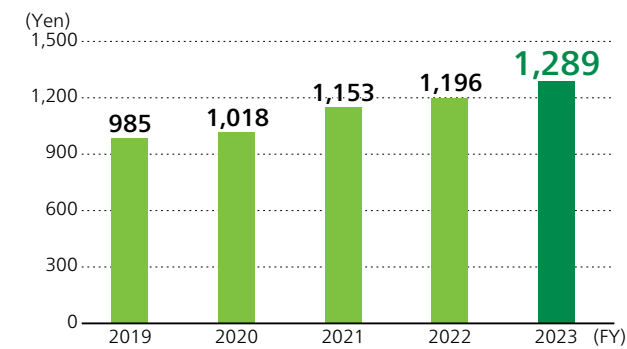


*We have adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 28, March 31, 2020) and related guidance since the beginning of the consolidated fiscal year. The figures for FY2023 are obtained based on the adoption of the standard and guidance.

Financial index Operating income

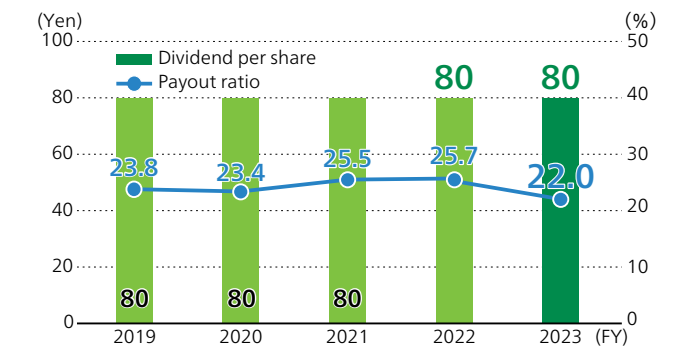


Financial index Net assets per share

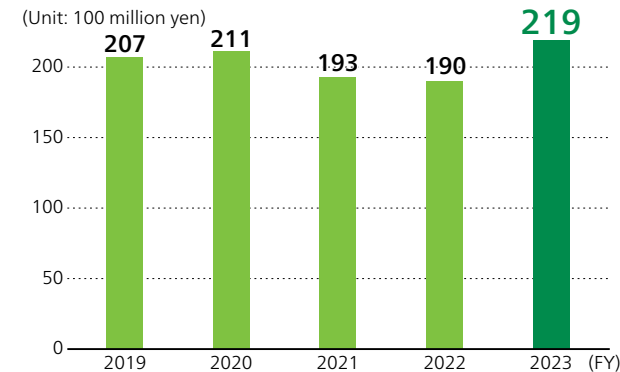


*On March 1, 2024, we conducted a 3-for-1 stock split of common stock. The calculation is based on the assumption that the stock split took place at the beginning of the fiscal year ended February 2023.

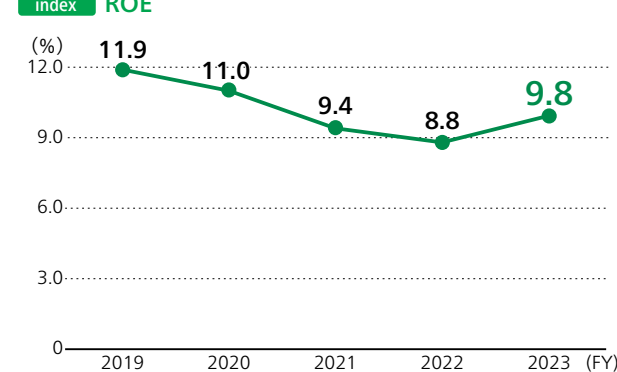
Financial index Dividend per share/Payout ratio



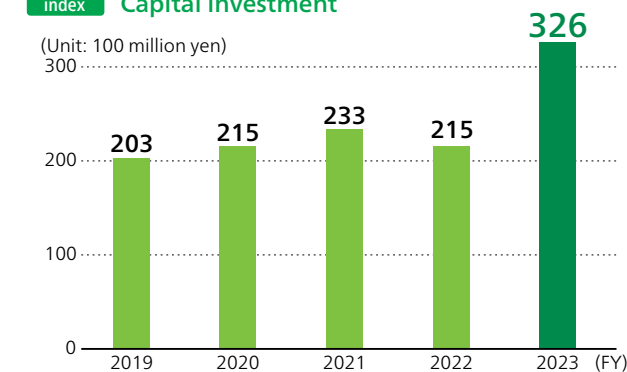
Financial index Profit attributable to owners of parent



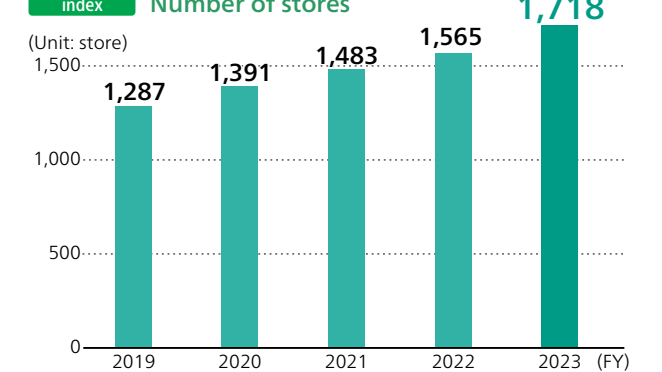
Financial index ROE



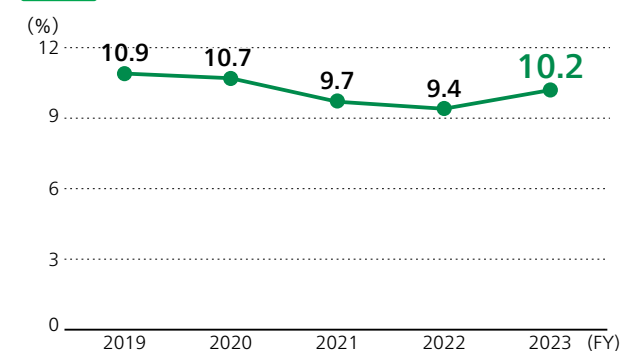
Financial index Capital investment



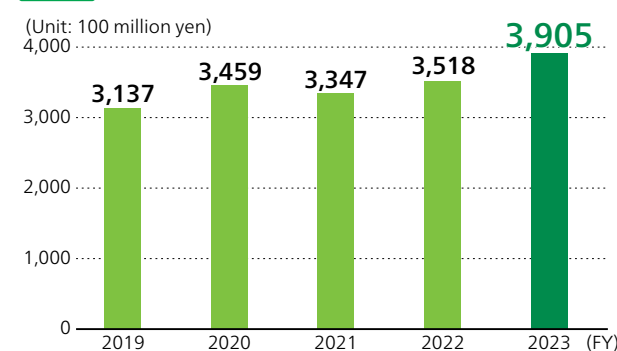
Non-financial index Number of stores



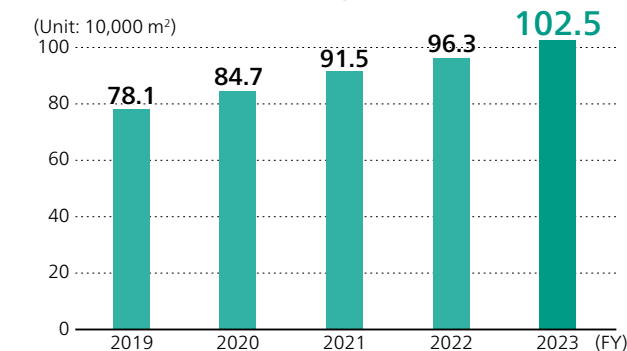
Financial index ROA



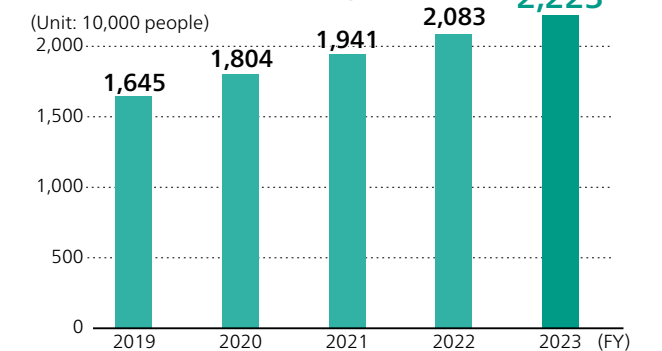
Financial index Total assets



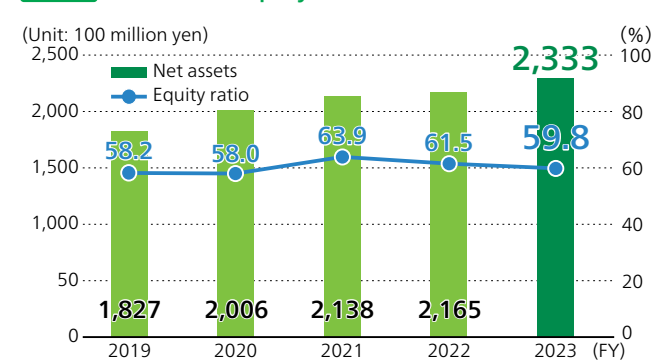
Non-financial index Year-end total square meters of sales floor



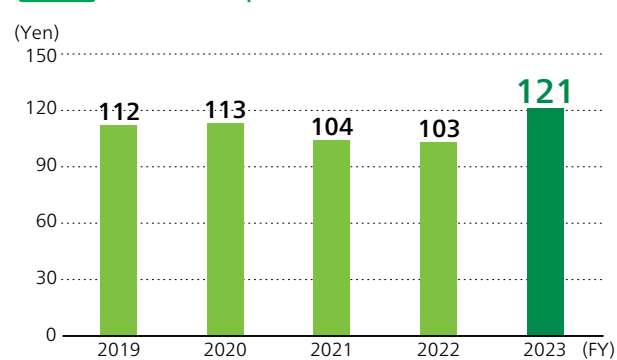
Non-financial index Point Membership



Financial index Net assets/Equity ratio

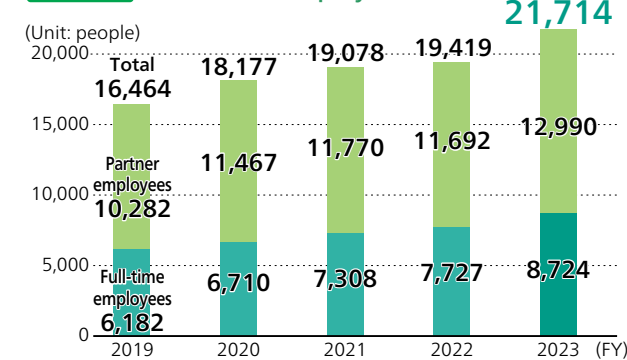


Financial index Net income per share



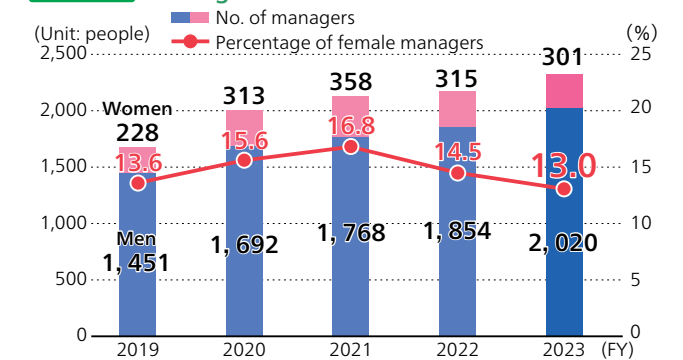
*On March 1, 2024, we conducted a 3-for-1 stock split of common stock. The calculation is based on the assumption that the stock split took place at the beginning of the fiscal year ended February 2023.

Non-financial index Number of employees



*The number of partner employees is converted into the number of 8-hour workers.

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



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



Eiichi Sakakibara

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

To contribute to local communities through SUGI Pharmacy’s functions of merchandizing and prescription dispensing, the SUGI Pharmacy Group will continue to expand the area in which it operates stores. The successive addition of new companies, such as Hikari Pharma, a dispensing pharmacy chain operator in the Hokuriku region, and NIHONDO, a leading Kampo counseling company, to our group will spur our commitment to local contribution. In addition, we have established new companies to take on new business operations, such as overseas expansion. With both our domestic and international partner companies increasing, we will continue to implement various forms of alliance and cooperation toward accomplishing our mission.

Starting from a single “family pharmacy” in Nishio City, Aichi Prefecture, we have now developed into the SUGI Pharmacy Group, which is taking strides toward realizing the Total Healthcare Strategy both domestically and internationally.

To serve as the main framework underpinning local healthcare and address social problems, the SUGI Pharmacy Group will continue to expand rapidly, but this expansion is never allowed to be reduced to simply “swelling.” We must ensure sound growth.

All the more for this, it is important to become further aware of “contribution to local communities” as our *raison d’être*. Guided by the Management Philosophy, we need to always return to the basics when making decisions and taking action. Continuing to share this importance with all 38,000 employees and improve their decisions and action based on the Code of Conduct below constitutes the largest part of my assignments today.

SUGI Pharmacy Group’s Code of Conduct

Since our establishment, we have continued to respect the tenets “sincere, kind services” and “respect for each customer in front of our eyes.” The following Code of Conduct, established as Our Pledge, is intended for each and every employee to be always aware of and refer back to.

“We will always make decisions and take action from customers’ perspectives.”

“We will always keep our eye on changes both inside and outside the company and continue to innovate.”

“We will always expand and deepen our capabilities and grow together with the company.”

“We will always remain sincere.”

“We will always respect diversity.”

Commitment to Strengthening Governance to Develop into a Sustainable Company

In addition to the penetration of the Management Philosophy and the Code of Conduct and the pursuit of immutability as an element of the so-called “immutability and fluidity,” the reinforcement of corporate governance is another major part of my responsibilities.

To create a future toward the 50th anniversary, which we will celebrate shortly, and even toward the 100th anniversary, as well as 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.

While increasing the number of outside directors and auditors to strengthen our monitoring system and auditing function, we will carefully eliminate on-site risks. At the same time, we will continue to place a focus on each employee and listen to their voices to proceed with engagement management, which emphasizes employees’ motivation, and respect diversity. In the SUGI Pharmacy Group, we intend to provide information and services tailored carefully to 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. To proceed with sustainability management, the SUGI Pharmacy Group has set a wide variety of priority issues (issues of materiality), such as climate change and disaster countermeasures. By addressing these issues, we will build a system that can respond to any change.

We will continue to make every effort to contribute to local communities by sustaining healthy growth, not simply “swelling,” and improving our corporate value.

03

Consolidation of the Value Creation Foundation/ Commitment to Issues of Materiality

59	Priority Issues (Issues of Materiality) for Proceeding with Sustainability Management
61	Five Themes and Priority Issues (Issues of Materiality)
63	Healthy Community
77	Sustainable Business Partnership
85	Contribution to the Global Environment
93	Healthy Workplace Environment
103	Corporate Governance

To proceed with sustainability management, the SUGI Pharmacy Group has clarified five themes and 16 priority issues (issues of materiality).

By implementing specific initiatives based on this, we aim to contribute to the sustainable development of local communities.



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 the Management Philosophy to solve social issues and contribute to the establishment of a sustainable society.

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.

- Human asset development
- Reform to realize healthy and safe working styles
- Utilization of diverse human assets
- Realization of a carbon-free society
- Realization of a recycling-based society

Consolidation of the Value Creation Foundation, Commitment to 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	<div><div></div> Increasing the number of stores with a counseling function</div> <div><div></div> Enhancing online services</div>	<div><div></div> Providing data-based healthcare services</div>	<div><div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div><div><div>4</div><div>QUALITY EDUCATION</div></div><div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div><div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div></div><div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div><div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div></div></div>	
		Risk	Customer defection				
	Ensured safety in medical care and proper management of medical and pharmaceutical products	Opportunity	Increase in customer satisfaction	<div><div></div> Collecting near-miss cases and sharing them for training and framework development</div> <div><div></div> Safely collecting medical and pharmaceutical products and medical equipment</div>	<div><div></div> Providing information on medical and pharmaceutical products using digital tools</div>		
		Risk	Decline of brand value				
	Improvement of convenience in everyday life and support for the community	Opportunity	Acquisition of growing markets / Improvement in brand value	<div><div></div> Improving access to products and services</div> <div><div></div> Enhancing medical and elderly nursing-care services for in-home patients</div>	<div><div></div> Supporting activities by local communities and organizations</div>		
		Risk	Decline of brand value				
	Health education and support for patients in the community	Opportunity	Increase in customer satisfaction	<div><div></div> Providing more information to promote prevention and care</div> <div><div></div> Providing information to and raising awareness of patients and their families</div>	<div><div></div> Supporting patients and their families</div>		
		Risk	Decline of brand value				
	Improvement of therapeutic effects for patients	Opportunity	Increase in customer satisfaction / Increase in dispensing fees	<div><div></div> Improving medication adherence by providing medication follow-up</div> <div><div></div> Improving therapeutic effects by preventing polypharmacy</div>	<div><div></div> Improving therapeutic effects by providing information to medical institutions</div>		
		Risk	Reduction in dispensing fees				
Establishment of a robust society in terms of disaster risk reduction and crime prevention	Opportunity	Improvement in brand value	<div><div></div> Establishing robust stores and the necessary frameworks</div>	<div><div></div> Supporting disaster-affected people in local communities</div>			
	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	<div><div></div> Providing health-conscious products</div>	<div><div></div> Focusing on the development of high-value-added products</div>	<div><div><div>3</div><div>GOOD HEALTH AND WELL-BEING</div></div><div><div>9</div><div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div><div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div><div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div></div></div>	
		Risk	Rival companies acquiring growing markets				
	Maintenance of product safety and security	Opportunity	Improvement in brand value	<div><div></div> Establishing a product quality assurance system</div> <div><div></div> Disclosing information appropriately</div>	<div><div></div> Focusing on the development of ethical products</div>		
		Risk	Customer defection				
	Establishment of a responsible supply chain management framework	Opportunity	Cost reduction / Improvement in brand value	<div><div></div> Managing supply chain appropriately</div>	<div><div></div> Promoting smooth communication with suppliers</div>		
		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	<div><div></div> Shifting to renewable energy</div> <div><div></div> Reducing greenhouse gas emissions</div>	<div><div></div> Reducing environmental impact through the entire life cycle</div>	<div><div><div>6</div><div>CLEAN WATER AND SANITATION</div></div><div><div>7</div><div>AFORDABLE AND CLEAN ENERGY</div></div><div><div>13</div><div>CLIMATE ACTION</div></div><div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div></div></div>	
	Realization of a recycling-based society	Opportunity	Improvement in brand value / Cost reduction	<div><div></div> Promoting store development aimed at conserving water resources</div> <div><div></div> Promoting recycling through cooperation of the manufacturing, distribution and sales sectors</div>			
		Risk	Decline of brand value				
Healthy Workplace Environment	Human asset development	Opportunity	Inspired innovation	<div><div></div> Improving capacity development training for employees</div> <div><div></div> Shifting to a job-focused personnel system</div>	<div><div></div> Actively providing opportunities for employees to fully demonstrate their abilities</div>	<div><div><div>5</div><div>EQUALITY</div></div><div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div><div><div>10</div><div>REDUCED INEQUALITIES</div></div><div><div>17</div><div>PARTNERSHIPS FOR THE GOALS</div></div></div>	
		Risk	Decline of competitiveness				
	Reform to realize healthy and safe working styles	Opportunity	Enhanced recruiting capability / Inspired innovation	<div><div></div> Promoting health and productivity management</div> <div><div></div> Promoting the establishment of a workplace environment in consideration of employees' safety</div>	<div><div></div> Promoting work-style reforms</div>		
		Risk	Employees leaving the company / Decline of brand value				
	Utilization of diverse human assets	Opportunity	Accelerated store launch / Inspired innovation	<div><div></div> Generating opportunities with a focus on diversity</div>	<div><div></div> Developing a framework that supports diverse working styles</div> <div><div></div> Fostering a corporate culture that respects diversity</div>		
		Risk	Slowing store launch / Decline of brand value				
Corporate Governance	Personal information protection and enhanced information security	Opportunity	Improvement in corporate value	<div><div></div> Strengthening efforts for personal information protection and providing thorough training</div>	<div><div></div> Strengthening the information security framework and providing thorough training</div>	<div><div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div></div><div><div>16</div><div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div></div></div>	
		Risk	Occurrence of risks to business continuity / Decline of corporate value				
	Reinforcement of corporate governance	Opportunity	Improvement in corporate value	<div><div></div> Improving board effectiveness</div> <div><div></div> Providing thorough compliance training</div>	<div><div></div> Strengthening the risk management framework</div>		
		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 the 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 and 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.



Introducing checkout shopping carts

To improve customers' shopping experience, we have introduced checkout shopping carts to some stores. The moment a customer places a product in a shopping cart, the bar code of the product will be read. Since this enables the checkouts by employees to be omitted, customers can shop without having to wait long even during busy times.



Installing custom-made supplement servers

We have installed custom-made supplement servers that reflect the detailed knowledge of nationally certified dietitians. Under this service, we provide customers with only the necessary types and amounts of nutrients to address their nutrient shortage.



Platform for facing women's latent problems and concerns and encountering new hints

In an era of major changes in the environment surrounding women, the number of companies and products related to “femcare” and “femtech” is increasing. We believe that femcare needs to be recognized by all demographics, not just those with a high level of health awareness and literacy. Given the current lack of physical sales outlets, we have set up special areas in familiar, easy-to-drop-in locations to introduce relevant products and provide information on women's health issues “through people.”

Femcare “Feminine” + “Care”

Products and services that help women care for their minds and bodies in various ways (e.g. sanitary napkins and various supplements)

Femtech “Female” + “Technology”

Products and services that use technology to solve women's health issues (such as menstrual cycle tracking apps and online pill prescriptions)



Providing data-based healthcare services

We 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.

Pharmacies allied with specialized medical institutions	3 stores
Local alliance pharmacies	21 stores



• **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.” By utilizing our accumulated know-how of prescription dispensing, 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 create “pharmacies allied with specialized medical institutions.” Featuring high-level pharmaceutical management functions, such pharmacies are involved in the development of specialized pharmacists in the field of oncology and work in close cooperation with medical institutions providing specialized medical care.

Interview

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 proper cooperation with their medical institutions 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 have built a framework for sharing patients’ medication information. I’m really fulfilled at work.



Board-certified Pharmacists of Ambulatory Cancer Chemotherapy

• **Promoting one-to-one health and beauty solutions using a digital communication ledger**



• **Enhancing the digital membership base**

The membership of our digital apps (*SUGI Pharmacy app* and *SUGI Smartphone Medicine Service app* [*Family Pharmacy app*]) comprises the base for a variety of our digitalized healthcare services and sales promotion tailored to individual needs. In FY2023, we focused on promoting the downloading of each app and achieved 12.97 million downloads.

SUGI Pharmacy app

12.02 million downloads
(FY2023)

***SUGI Smartphone Medicine Service app*
(*Family Pharmacy app*)**

0.95 million downloads
(FY2023)

• **Offering same-day delivery of OTC pharmaceuticals**

SUGI Smartphone Order
Last-mile delivery launched to enable customers to receive even OTC pharmaceuticals at home



• **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 convenience.

We have also introduced a service that allows members to shop using their points (2 points = 1 yen).



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

Introducing an error prevention system in prescription dispensing

Introducing Drug Station, automated medicine picking equipment

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

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



Shinshu University Store, Nagano Prefecture, opened in January 2023

• 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.

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



• 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.



• Providing information on medical and pharmaceutical products using digital tools



• Installing many more medicine pick-up lockers



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

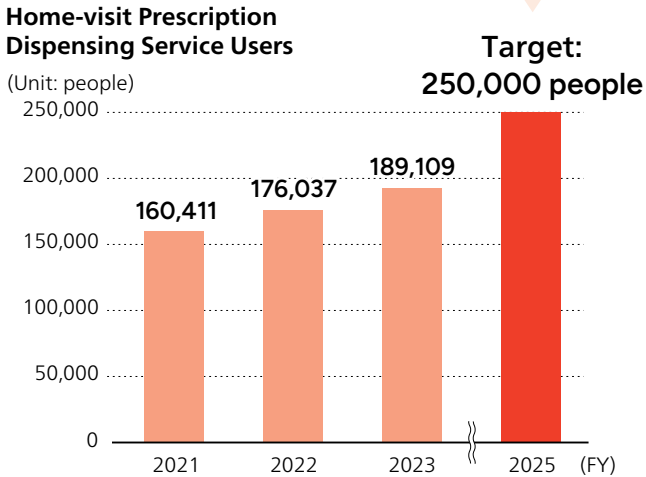
“Helping local residents maintain their own lifestyles in familiar surroundings” is the basic concept of the comprehensive community care system. To realize the concept, we provide in-home patients with home-visit prescription dispensing, home-visit nursing, and life support services (product sales and 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 2024)

Home-visit prescription dispensing	No. of service stores	601
	No. of users (monthly average)	15,759
	No. of users (yearly total)	189,109
Home-visit nursing	No. of service stations	16
	No. of users (monthly average)	1,441
	No. of users (yearly total)	17,291

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



• 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

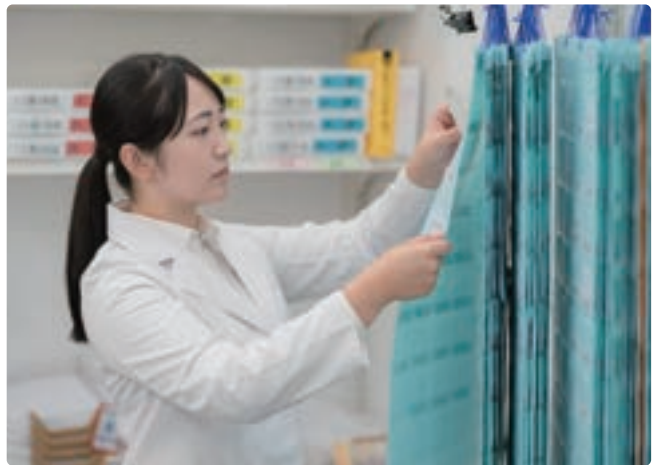
Improvement of Convenience in Everyday Life and Support for the Community

Opening a care plan center specializing in preventive care at a SUGI Pharmacy store

We provide a service where nationally certified dietitians certified as a care manager specialize in the formulation of preventive care plans for people certified by their municipalities as those in need of assistance. To that end, we have opened an elderly home care support office within a SUGI Pharmacy store to formulate preventive care plans.



<Office name> SUGI Pharmacy Preventive Care Management Kashiwa-Toyoshiki Store



● Realizing a flexible contact with an expert at any time
Taking on the challenge of a remote customer service

"Customers can flexibly contact experts that they need and receive services through devices set up at our stores at any time they would like to seek counseling."

To create such an environment and increase customer satisfaction, we are taking on the challenge of a remote customer service using avatars and other tools.



● Developing a prescription dispensing experience vehicle

We have developed a vehicle that allows people to experience prescription dispensing work at various events. The vehicle is intended for people from young children to young adults to have such experience so that they will become interested in the work of pharmacists. By providing opportunities to enjoy a simulated experience of prescription dispensing, we would like to deepen people's understanding of SUGI Pharmacy's business, produce many more fans, and build long-term relationships.



● 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 travel 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. In FY2023, we expanded the service area to Kanto and introduced a total of four shopping trucks.



■ Striving to ensure that everybody can enjoy shopping even if they are old or sick

Hospitality Service, a shopping support service

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 life, from sanitary items to food, this service contributes to an even better QOL for those who cannot visit physical stores.

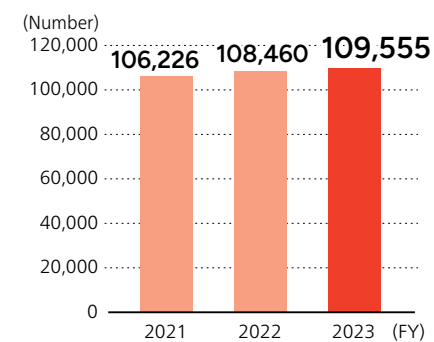


■ Reflecting customer feedback in management

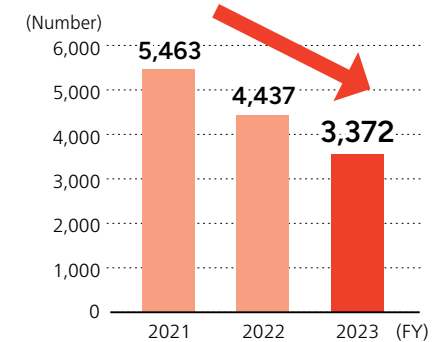
The Customer Support Office of SUGI Pharmacy receives praises, inquiries, complaints, and other feedback from customers regarding our products and customer and other services through toll-free calls, online inquiry forms, letters, etc. Such feedback from customers is shared with the relevant departments 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 in 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 serve customers courteously and politely.

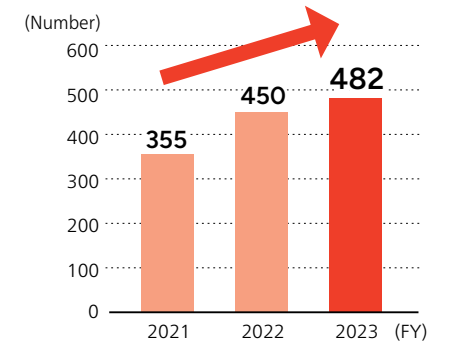
Total Number of Inquiries,
Praises and Other Feedback



Number of Complaints



Number of Praises



Establishing a framework underpinning local citizens' health in every aspect

Rental of elderly nursing support items



Home-visit nursing station



Home-visit rehabilitation



● 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 FY2023, we donated AEDs to 43 facilities, meaning that we have so far donated AEDs to a total of 298 facilities. We also organize seminars for facility staff to learn how to use the device.



Health Education and Support for Patients in the Community

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 specific health guidance at stores in local communities

Specific health guidance

Provided in FY2023 for

2,941 people

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



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
a total of approx. **1,100** patients
in the past 11 years



Calling for applicants on our website

Organizing wig sales events

We periodically organized wig sales events at our flagship stores. By featuring well-tuned counseling by 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.



Handling wigs at many more stores

Organizing health events with nationally certified dietitians serving as instructors



Organizing events on women's health



Improvement of Therapeutic Effects for Patients

- Establishing the DI Office to improve the quality of communication with customers, increase our brand value, and strengthen governance

What is the DI Office?

DI stands for “drug information.” The DI Office of SUGI Pharmacy collects medical information, analyzes, processes, and edits the information in a way that takes mainly account of those who need it, and then disseminates and stores it in an easy-to-understand manner. The prescription dispensing and the sales of medical and pharmaceutical products are carried out by pharmaceutical professionals such as pharmacists and registered pharmaceutical distributors. To support these operations, the DI Office acts as a consultation and inquiry desk regarding response. SUGI Pharmacy, which also operates prescription dispensing drugstores with a focus on healthcare and beauty care, disseminates a variety of information in the fields of medicine, health, and beauty. When necessary, the DI Office conducts checks and offers advice from a pharmaceutical perspective and from the perspective of pharmaceutical affairs laws and regulations, thereby strengthening governance.

Providing academic support for conference and paper presentations

As we work to improve the quality of our communication with customers, we provide support for pharmacists who can offer high-quality services to give presentations on their achievements at academic conferences and other opportunities. We have a system in which pharmacists who serve as role models in terms of their efforts to improve the quality of communication with customers give presentations at academic conferences and the presented information is shared inhouse. By taking advantage of this system, we strive to ensure that pharmacists working at pharmacies contribute to even better medical care.

In FY2023 (as of December 31, 2023), pharmacists and nationally certified dietitians of SUGI Pharmacy gave 32 presentations at academic conferences. At the 17th General Meeting of the Pharmacy Society of Japan, held at the Nagoya Congress Center on October 8 and 9, 2023, SUGI Pharmacy gave nine presentations, of which two were selected for an Excellent Award when only four presentations in total were awarded as such. We also co-hosted a symposium and learned a lot together with many participants.

- Establishing a framework for supporting patients through 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 950,000. Consequently, 110,000 prescriptions 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.



Major Academic Conferences where Pharmacists and Nationally Certified Dietitians of SUGI Pharmacy Gave Presentations

Conference name
The 17th General Meeting of the Pharmacy Society of Japan
The 16th Annual Meeting of the Japanese Society for Pharmaceutical Palliative Care and Sciences
The 17th Annual Meeting of the Japanese Society of Nephrology and Pharmacotherapy
The 39th Annual Meeting of the Japanese Society for Clinical Nutrition and Metabolism (JSPEN2024)
The 33rd Annual Meeting of the Japanese Society of Pharmaceutical Health Care and Sciences
The 29th Annual Meeting of the Japanese Association for Disaster Medicine
The 7th Annual Meeting of the Japanese Society of Geriatric Pharmacy
2023 Joint Academic Conference of the Tokai Block of the Japanese Society of Hospital Pharmacists and the Tokai Branch of the Pharmaceutical Society of Japan
Annual Meeting of the Japanese Society of Pharmaceutical Oncology in 2023

- Improving medication adherence by providing medication follow-up

We have adopted a preliminary counseling style in which pharmacists provide counseling to patients when receiving prescriptions from them. Under the system, pharmacists can concentrate on communication with patients, which is their primary role. In addition to detailed medication instruction to patients at the store, pharmacists also provide medication follow-up during the medication period via a smartphone app after the patients return home, thus allowing them to deal with their problems anytime, anywhere. In FY2023, the number of medication follow-up cases reached 1.25 million. 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.



Comprehensive agreement with Gifu City

- Performing BCP drills 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 perform drills at physical stores in cooperation with local governments.



Contribution to the enhancement of community safety and security	No. of agreements by FY2023
Total number of agreements	100
Comprehensive agreement	39
Watching-over agreement	11
Disaster risk reduction agreement	42
Agreement on the environment, etc.	8

Comprehensive Agreements Concluded in FY2023

Toyota City, Aichi Prefecture	Agui Town, Aichi Prefecture
Takahama City, Aichi Prefecture	Ise City, Mie Prefecture
Matsusaka City, Mie Prefecture	Fuso Town, Aichi Prefecture
Kasai City, Hyogo Prefecture	Moriguchi City, Osaka Prefecture
Tahara City, Aichi Prefecture	Gifu City, Gifu Prefecture
Higashiosaka City, Osaka Prefecture	Fuso Town, Aichi Prefecture
Shinshiro City, Aichi Prefecture	Kitanagoya City, Aichi Prefecture
Suzuka City, Mie Prefecture	Kasai City, Hyogo Prefecture

*The list above includes agreements on health promotion.

- Making local contribution by stockpiling disaster relief goods

Together with Fujita Academy, Sugi Pharmacy Co., Ltd. has been engaged in the stockpiling of disaster relief goods at the former Futamura Child Center, Toyoake City, as part of the activities of a joint research seminar under community health-care cooperation.



● 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 and install AEDs there. The number of our stores equipped with AEDs is increasing.

As of the end of February 2024, we have installed AEDs at 282 stores (approx. 16.4% of the total), and we will increase the percentage to 20% by the end of FY2025.

Current and Target Percentages of Stores with AEDs

End of February 2024: **approx. 16.4% of all stores**

End of FY2025: **approx. 20% of all the stores (target)**



● Starting a mobile battery rental service at all stores

We have started 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.



● 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.



● Giving donations for the damage caused by the 2024 Noto Peninsula Earthquake

■ Establishing a website where SUGI Points can be redeemed as donations to support the region

The SUGI Pharmacy Group has donated 60 million yen, including SUGI Point donations provided from customers, to help with relief efforts for those affected by the recent earthquake and to contribute to realizing a recovery of the affected areas as soon as possible.

For our SUGI Point donation campaign, which began on January 5, 2024, we received cooperation from many customers. We sincerely pray for the speedy recovery of the affected areas.

Website of the point donation for the Noto Earthquake



● Promoting sports and forming associated alliances

SUGI Pharmacy is committed to community contribution through sports by, for example, sponsoring FC Kariya (soccer), Tokyo Great Bears (men's volleyball), and Victorina Himeji (women's volleyball).

[FC Kariya]



[Soccer class by Yoshito Okubo]



[Tokyo Great Bears]



[Volleyball class by Kana Oyama]

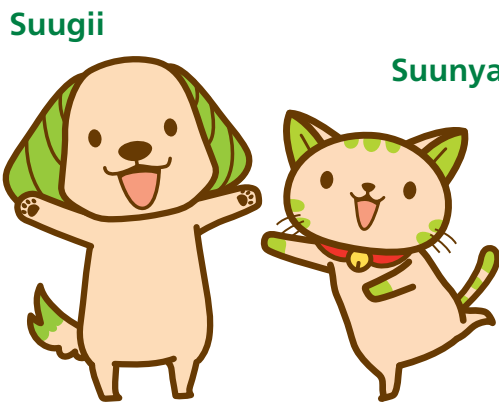


SUGI Pharmacy Official Ambassador "Suugii & Suunya"

Appearing at many public relations activities, such as the SUGI Pharmacy app, social media, and events hosted by the SUGI Pharmacy Group, these ambassadors embody an even more friendly corporate image.



Date of birth
March 8
Personality
Studious and knowledgeable Typical big brother and reliable
Pastime
Reading / watching sports / strolling / traveling (hot springs, and famous places and historic sites around the world)
Dream
To be called a doctor by everyone To build a home with a collection of many books that he loves To let everyone know about SUGI Pharmacy



Date of birth
September 1
Personality
Curious and always energetic Lovable and friendly
Pastime
Shopping/window shopping/ dancing/all sports
Dream
To continue to enjoy daily life To make the world a happy and healthy place with her dancing To make more friends of SUGI Pharmacy

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

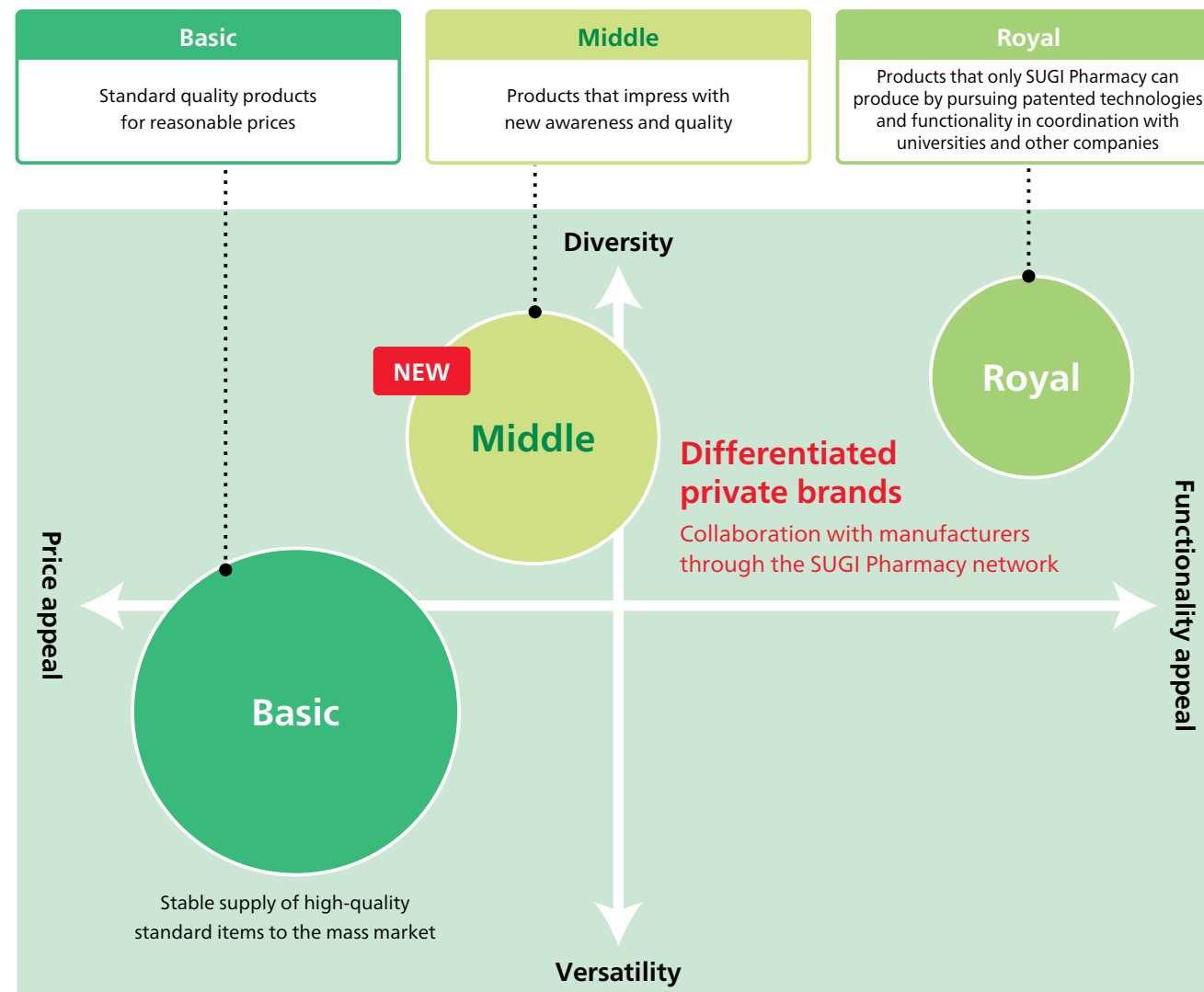
• Focusing on the development of high-value-added products

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.

By resolving various issues (strengthening the marketing, inventory control, and quality control functions and improving the warehousing, logistics, and manufacturing functions), we will boost product development in order to satisfy an increasing number of our customers.



Classification of private brand products



• Development of middle private brand products

For the mass market, we have developed "basic" brand products, which are general-purpose, affordable products. For niche markets, we have developed "Royal" private brand products, which have been developed in line with our Total Healthcare Strategy in collaboration with manufacturers and universities.

In addition, we have newly established a "middle" private brand category to develop products offering added value to meet particular customer needs, such as time-saving features or other specific functions, based not only on customer needs, but also on employee feedback and purchasing data.



New product presentation at the Haneda Innovation City Store

Healthy and time-saving



Sweets to treat yourself

EPA supplement

Functionality and patents



Rich beauty cream "Cream W"

A product newly developed in FY 2023



S SELECT UV Series

The additive-free formula reduces the burden on the skin. We also pay close attention to ease of use.



LACHÉRIE

A botanical conditioning skincare brand that uses the power of plant-derived ingredients to condition your skin and lead you to healthy skin.



T³ Smooth & Moist

This product uses SUGI Pharmacy's proprietary nano-dispersion penetration technology SNDP*. It fills each strand of hair with beauty ingredients, creating an ideal hair environment.

*Special oleophilic layer nano-coating technology

• Developing unique products

Based on SUGI Pharmacy's proprietary SNDP® penetration technology, we offer T³ brand products, which bring salon quality total care to all people who want to become beautiful.

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.



• A product developed under the theme of gender neutrality

Prieclat, which has celebrated the fifth anniversary since its launch, is a skincare product series that 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. A 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 in oil-based and water-soluble materials

Prieclat U

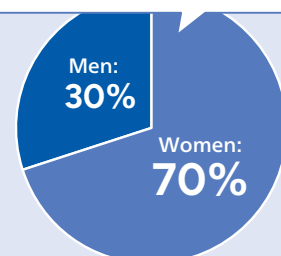


Sales results show acceptance of the concept

The sales results of the Prieclat U series, which was developed under the theme of gender neutrality, show that approximately 30% of purchasers 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 30% of sales!



Gender composition of customers who purchased Prieclat U, a gender neutral product

Maintenance of Product Safety and Security

• 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

• 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, biomass plastic, and vegetable oil ink. Our target is to increase the ratio of eco-friendly products to all private brand products to 30% by 2030.

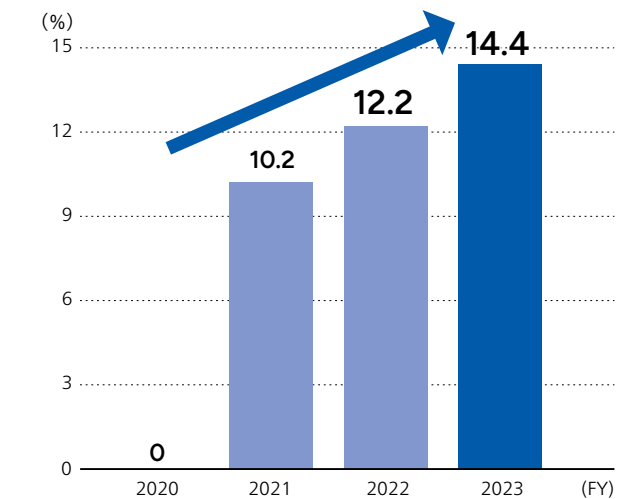


Developing products using FSC certified paper

Percentage of eco-friendly private brand products

2030 target: **30%**

Percentage of eco-friendly private brand products*



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

• 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.



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 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 the measures it takes.

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 are impacted by them.

Human rights promotion system

Person in Charge	
Representative Director & President, SUGI Holdings Co., Ltd.	
Secretariat	
Human Resources Department / Corporate Branding Department	
Department	Roles
Human Resources Department	● Update and determine various operations in accordance with the Human Rights Policy
General Affairs Department	● Coordinate with lawyers and propose changes in policies and operations based on laws
Corporate Branding Department	● 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
Education 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)

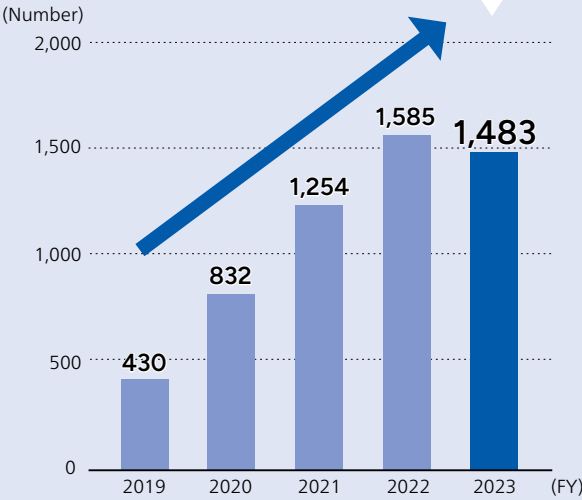
For the purpose of preventing and correcting systematic or individual violation of laws and regulations or misconduct, the SUGI Pharmacy Group has established an internal reporting system and operates it in accordance with applicable internal regulations. The Group has established a compliance consultation 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

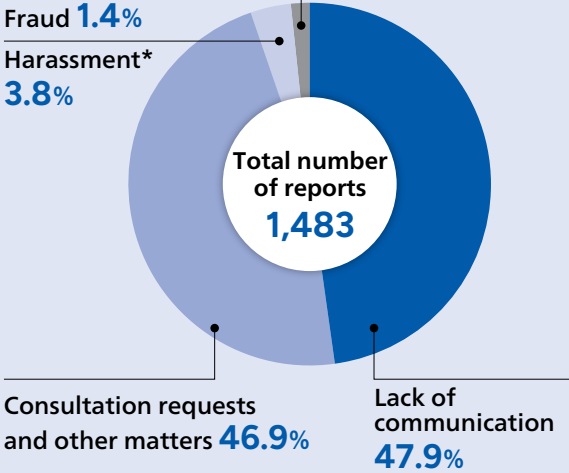
In order to increase the recognition and understanding of the abovementioned system, we have ensured that contact information for the system is displayed at our stores and offices, and we have also distributed the Compliance and Disaster Countermeasure Pocket Book. By such promotional activities, we 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)



*Power harassment, sexual harassment, and other harassment

6. Education and awareness-raising

The SUGI Pharmacy Group provides all employees with education and awareness-raising 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, and negatively impacts 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 ascertain the 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 consider the environment and climate change so as not to harm 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 fraud, illegal act, or a breach of trust, and from using delegated authority for their own personal benefit, 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.

• Establishment of Business Partner Code of Conduct

The SUGI Pharmacy Group has established a Business Partner Code of Conduct. This Code of Conduct stipulates matters with which our business partners are requested to comply in order to realize a vigorous society and contribute to the sustainable development of local communities by seriously addressing a wide variety of environmental and social issues and increasing the number of healthy and energetic people through corporate activities together with the SUGI Pharmacy Group.

We request that our business partners understand the Code of Conduct and work to comply with it.

(Excerpt from the SUGI Pharmacy Group Business Partner Code of Conduct)

① Legal compliance and fair and equitable transactions

You must comply with the laws and regulations and social norms of each country and region. You are also required to comply with laws, regulations, and rules concerning abuse of superior bargaining position, fair competition, and fair transactions and not engage in any acts that deviate from them.

① Comply with the applicable laws and regulations and related rules of each country and region.

② Maintain sound and normal relationships with politicians, government agencies, and customers and do not engage in corruption, bribery, and the provision and receipt of benefits.

③ Establish an appropriate organizational structure to protect information assets from the threat of leakage, theft, or falsification arising from intentional acts or negligence, define the roles and responsibilities of your officers and employees, and ensure that they perform their business duties properly.

④ Establish an appropriate organizational structure to protect personal information from leakage or unauthorized acquisition, use, or disclosure, define the roles and responsibilities of your officers and employees, and ensure that they perform their business duties properly.

⑤ Respect the rights of customers who own intellectual property rights. Do not engage in any acts that may infringe the rights of third parties.

② Procurement of safe and secure products

You must provide products and services in compliance with the laws and regulations of each country and region. You must also pursue safety and security and strive to offer products and services that satisfy customer needs. In addition, take customer feedback seriously and respond to it sincerely.

① Comply with laws and regulations, quality standards, and labeling standards concerning safety established in each country and region in order to ensure the safety of your products and services.

② Strive to conclude contracts with your suppliers in advance in a manner to ensure stable procurement at the time of disaster.

③ Offer and disclose information on your products and services to your customers properly and on a timely basis.

④ Respond to any inquiries from customers sincerely and reflect them in your efforts to maintain and improve the quality of your products and services.

④ Thoroughly implement environmental protection measures

You must comply with the environmental laws and regulations established in each country and region, conduct corporate activities in a manner friendly to the global environment, and contribute to the sustainable development of local communities.

① Work to reduce greenhouse gas emissions in order to address the global warming issue.

② Work to ensure the sustainable use of resources, such as saving energy and resources, recycling, and reducing waste.

③ Work to prevent, pollution, health damage, and the like.

④ Comply with the laws and regulations of each country and region established in order to preserve biodiversity.

⑤ Do not handle products that use any chemicals or raw materials prohibited by the laws and regulations of each country and regions.

⑤ Contribution to local communities

You must respect the culture, religions, customs, etc., of each country and region and contribute to the sustainable development of local communities.

① Understand various social issues in local communities and engage in activities to realize economic and cultural development in close collaboration with local employees and customers.

② Do not have any relationship with anti-social forces, organizations, or groups that pose a threat to the safety of local communities.

Operation and monitoring at business partners

Business partners are requested to understand and comply with the Code of Conduct and to ensure that their subcontractors also understand and comply with it. Business partners are also requested to report any violation of the Code of Conduct by them or their subcontractor to the person in charge at the SUGI Pharmacy Group as soon as they recognize it. In this case, they are requested to take corrective measures promptly and report the correction status each time.

The SUGI Pharmacy Group may conduct monitoring of the status of compliance with the Code of Conduct by business partners and their subcontractors. If any non-compliance with the Code of Conduct is found as a result of such monitoring, we will request that the relevant business partner take improvement or corrective measures.

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

Verification tests to promote the purchase of eco-friendly products aiming for a decarbonized society

Participating in the Challenge Carbon Neutral Consortium to address issues through supply chain collaboration

We believe it is important that we provide opportunities for consumers to expand their perspective by learning from decarbonization initiatives, enjoy the process of such learning, take such initiatives as their own matters with interest, and work to realize a decarbonized society in cooperation with businesses and government agencies. In these verification tests, which aim to promote consumers' behavior that leads to decarbonization (CO₂ reducing behavior), we opened a special corner in test stores during the test period to display a collection of eco-friendly products that contribute to decarbonization while providing devices and application contents to lead visitors to the special corner. These tests were conducted to verify our product and sales

floor development to encourage consumers to actively participate in efforts toward achieving carbon neutrality, by analyzing changes in consumers' awareness and behavior toward decarbonization and evaluating the effectiveness of our measures. At the same time, they provided visitors with a place to provide actual support through shopping to a company that is working toward a decarbonized society.

The SUGI Pharmacy Group will continue to encourage as many customers as possible to take an interest in environmental issues and provide them with opportunities to contribute to the environment indirectly through the purchase of products. We will also use customer feedback to improve our product development.

Store verification tests for the GENKOTSU (Let's all reduce CO₂) Project



Presentation photo session

Members



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.

Reducing the consumption of fossil fuels

In order to reduce the consumption of fossil fuels by company cars, we have started to introduce electric 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.

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. We have planned and started the introduction of 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 2030, we will actively use not only on-site PPAs but also off-site PPAs.

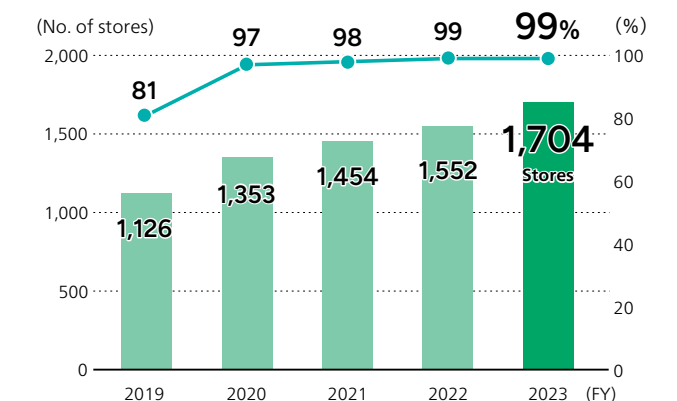


Solar power generation panels installed on the rooftop of Fujimi Store in Kariya City, Aichi Prefecture

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

We are working to reduce power consumption by closely monitoring temperatures and regularly cleaning 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.

Stores with LED lighting



Number of stores equipped with solar panels **117**
(As of February 29, 2024)

Information Disclosure Based on TCFD Recommendations

● Response 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.

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

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 is supervised by the Board of Directors, which receives reports and issues instructions as necessary on important matters deliberated by the Committee to ensure that its decisions are free from errors.

Strategy

Scenario analysis

We have assessed risks and opportunities that may have an impact on the SUGI Pharmacy 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.	Risk: The impact of carbon pricing will be limited.
		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.	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 to a limited extent due to temporary store closures and lower customer traffic.	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.	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.	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 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 2030	Approx. 2.7billion yen

*In reference to IEA WEO2022 NZE (1.5°C) P465 Table B.2, the amount of carbon taxes in 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 SUGI Pharmacy 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 awareness of the need 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

The current status of the SUGI Pharmacy Group

FY	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
No. of stores	996	1,048	1,105	1,190	1,283	1,391	1,483	1,565	1,718
Emissions (t-CO ₂)	123,377	129,392	119,826	120,826	117,611	126,160	135,149	138,416	To be calculated
Average per store (t-CO ₂)	123.9	123.5	108.4	101.5	91.7	90.7	91.1	88.4	To be calculated

*A location-based emission factor (national average emission factor by electric power company) is used.

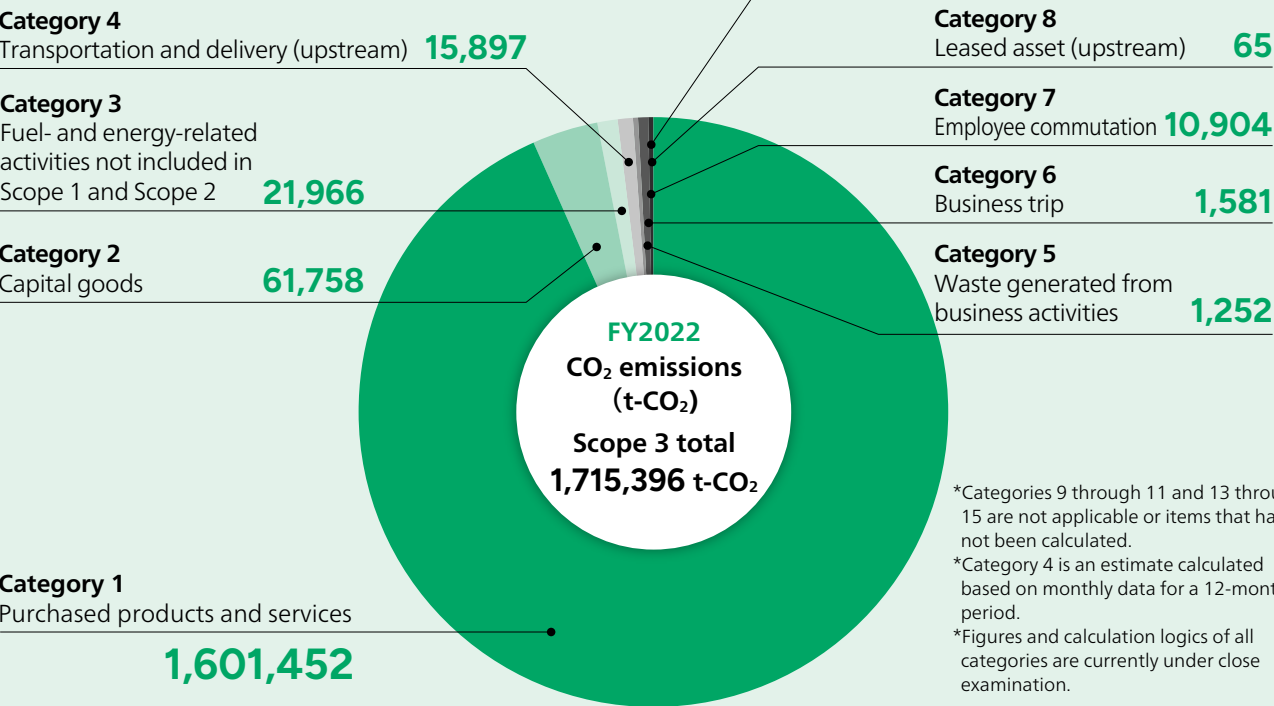
*CO₂ emissions based on the use of gasoline by company cars are calculated on a trial basis based on the pro rata allocation of FY 2020 results using the number of stores (in and before FY 2020).

*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 2022 Scope 3 breakdown



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

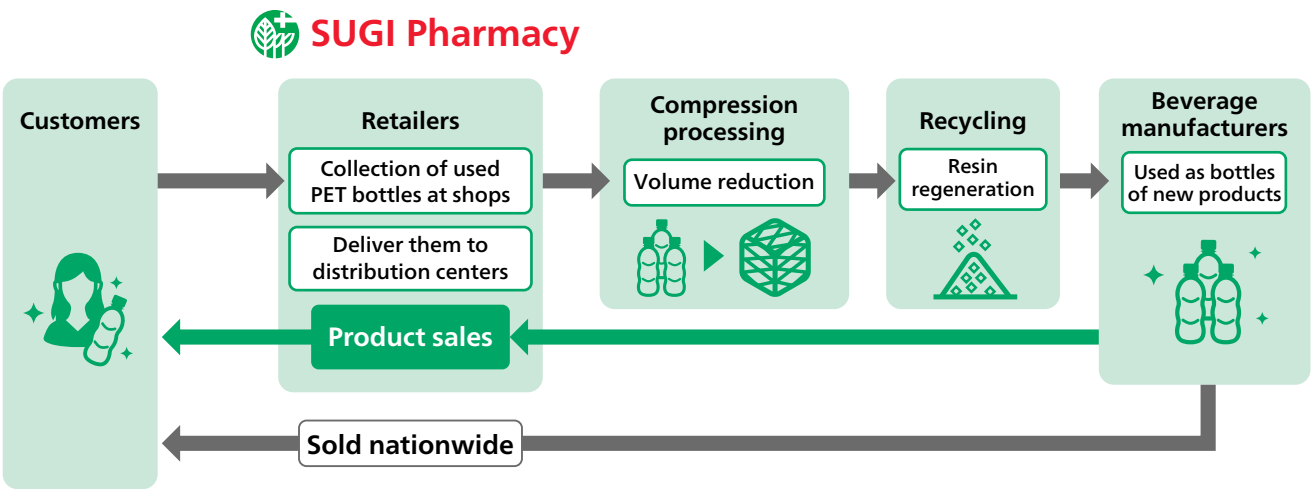
- Ratio of eco-friendly private brand products
- Food-loss-and-waste ratio
- Volume of plastic bags used

Realization of a Recycling-based Society

Resource recycling initiatives for plastics

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

Flow from collection to recycling



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. More than 10 stores in Aichi and Saitama Prefectures served as bases for PET bottle collection. Since FY 2023, stores all over Japan have participated 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 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.

Recycling resources in coordination with government agencies



Collecting PET bottles in coordination with Shizuoka City

Participation in a sponge recycling program

We have participated in a sponge recycling program in collaboration with 3M Japan Limited and TerraCycle Japan LLC. Our stores will serve as collection bases in the program.



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 enjoy participate in resource recycling. (The machine has been introduced to a limited number of stores.)

■ Participation in the verification tests for a medicine sheet recycling 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 their consumption is expected to increase going forward with the advancement of societal aging. However, few consumers recognize them as a recyclable resource, and the collection volume is small. Therefore, unlike for 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	FY 2023
No. of used bags (unit: 1 million bags)	262	144	43	65	102
Weight of used bags (unit: ton)	2,000	1,100	328	507	800

A reduction of about 60%

● Health × Biodiversity × Digital

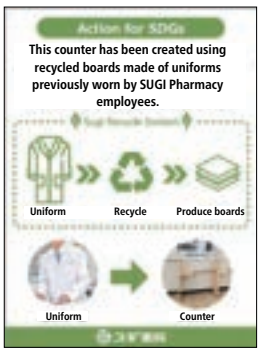
We held a "SUGI Green Walk Challenge" event, which featured SUGIsapo Walk, a pedometer app. We are working on building awareness of biodiversity through donations to environmental groups in proportion to the number of people who have achieved certain step counts in walking rallies and the provision of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



● 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@.



■ Role as a collection base for textiles and clothing



Clothing items are collected at our stores in Okazaki City and Chiryu City, Aichi Prefecture.

● Strengthening resource recycling initiatives for food (food loss reduction)

■ Promoting temaedori (taking from the one in front)

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

■ Running a food drive

We ran a food drive at various events that we held in coordination with government agencies. Going forward, we will run a food drive not only at events, but also at our stores to expand our activities so that we can work with local residents to address issues.

The SUGI Pharmacy Group will strengthen its efforts to resolve the social issues of food waste and poverty.



*A food drive means an activity in which people bring surplus food from their homes and donate it to local welfare organizations and facilities, food banks, and the like.

● 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.



● Reducing marine plastic waste by installing carbonated water vending machines

Through the installation of carbonated water vending machines, we will contribute to the reduction of PET bottle use and marine plastic waste.



● 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).

Water consumption*
755,045 m³ per year

*Calculated as an estimate by dividing the amount of water charge by unit charge rate (Obu City, Aichi) (FY 2022 results).

Healthy Workplace Environment

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

Shigeki Mori

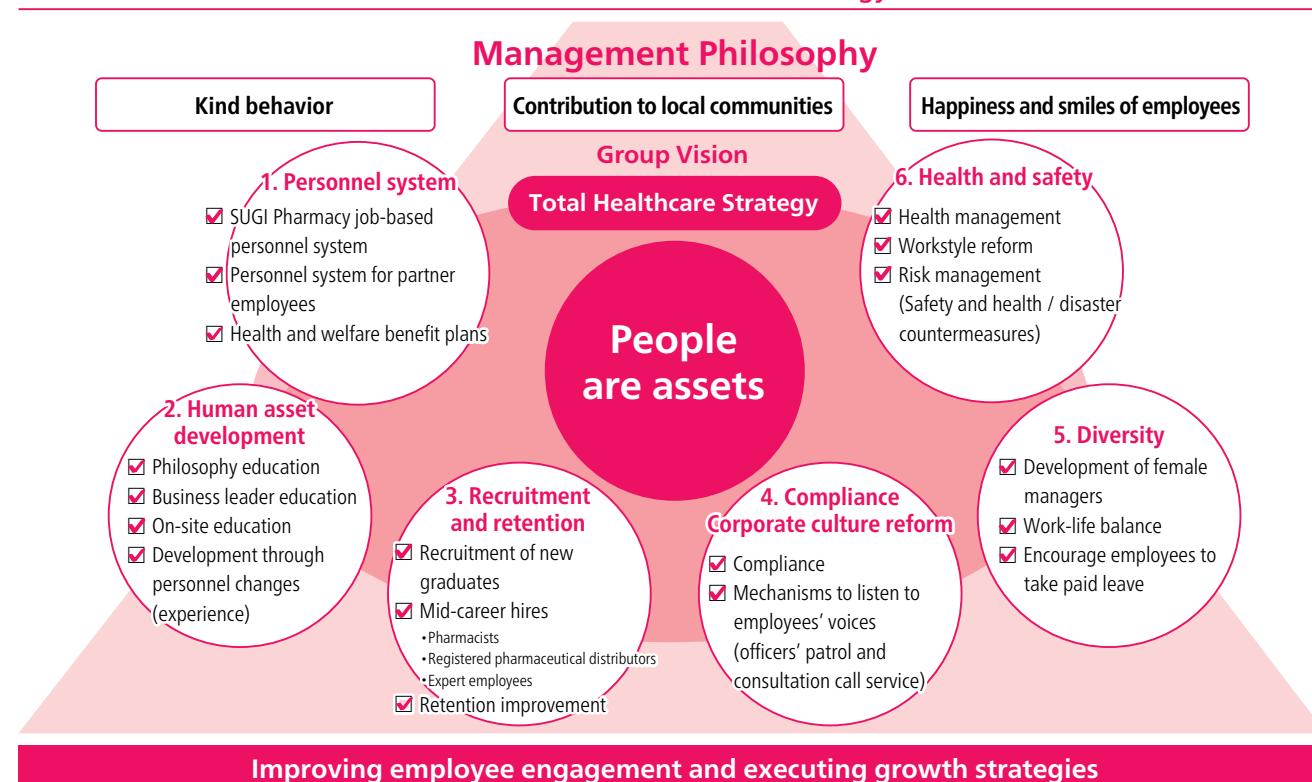
Executive Managing Officer in Charge of Human Resource Management, Administration, and Risk Management and General Manager of Human Resources Department, SUGI Holdings Co., Ltd.
Director and General Manager, Administration Division, Sugi Pharmacy Co., Ltd.
Representative Director & President, SUGI Smile Co., Ltd.
Representative Director & President, MCS Co., Ltd.



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 its management strategy. And the Group promotes human capital

management under the six pillars of “personnel system,” “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.

FY 2024 Human Resource Strategy



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.



Improving job satisfaction through personnel system reform

Based on the idea that employees are the most important assets, the Group has been upgrading its personnel system with regard to evaluation, remuneration, welfare benefits, etc. As a result, we are steadily making progress. For example, employee turnover has decreased by half compared to 2018. Job satisfaction among managers as measured by the engagement score has exceeded the levels of other companies, and the average job satisfaction within the Group is also rising. However, based on the judgment that we need a further personnel system reform in order for the Group to achieve sustainable growth in an external environment that is changing due to, among other things, rapid digital transformation and a declining birth rate and aging population, we have introduced a new personnel system in March 2024.

The concept of the system reform is a “transition to a SUGI Pharmacy version of job-based personnel system.” The new system is designed to reflect the work evaluation results of each individual in their remuneration more than before. For example, a hybrid system has been introduced for managers that allows them to be promoted not only based on their individual ability, but also by taking on a higher role. In addition, an expert system has been introduced for highly skilled professionals, such as digital transformation talents, lawyers, certified public accountants, and M&A promotion personnel, who are essential for the expansion of our business domains. For general office workers, we have revised allowances for store managers and pharmacists, who are expected to play central roles in our growth strategies. Regarding evaluation, we have clarified requirements for their promotion by establishing grades based on their skill levels. We will continue to upgrade our personnel system going forward by listening to the voices of each employee in order to create a system under which all employees can work energetically.

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. 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 ones 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 (suburb / 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 progress over the last five years as a result of company-wide retention activities.

Developing an open corporate culture

In FY 2023, the number of consultation requests concerning harassment received through the consultation call service decreased by two thirds from FY 2021. In FY 2024, 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 tours 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 as maintaining and improving employees’ 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 are working to create mechanisms to protect employee health. For example, we encourage employees who have abnormalities in their health checkups to undergo re-examinations and arrange interviews with occupational health physicians for them by enhancing our occupational health physician system and introducing and utilizing a health management system. As a result of these efforts, the SUGI Pharmacy Group has been selected as an Excellent Health Management Company for the sixth straight year. Going forward, we will promote health management aiming to obtain White 500 certification.

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 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 in consideration of their physical strengths and health conditions.

■ 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 SUGI Pharmacy 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, while promoting workstyle reform aiming to provide a more fulfilling work-life balance.

Future initiatives toward women's empowerment

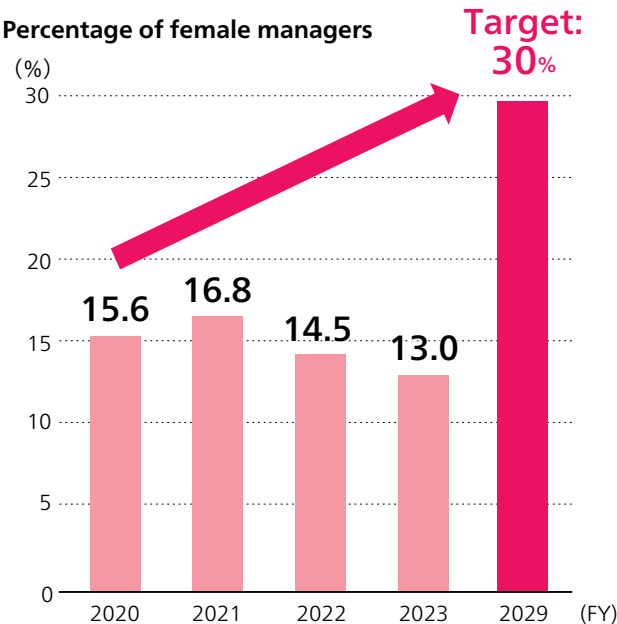
- Strengthen activities to recruit women
- Correct the gender gap in wages
- Expand the scope of employment for women
- Provide awareness training for managerial promotion
- Strengthen promotion to full-time employee
- Create an environment that makes it easier to take parenting leave

■ SUGI Smile's efforts

We have 11 in-house job coaches and 25 career counselors providing operational guidance and daily support to 296 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 2023 SUGI Pharmacy Group)
2.80%



■ 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. Since April 2024, we have extended the eligible period of these programs until children complete their third year of junior high school. 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.

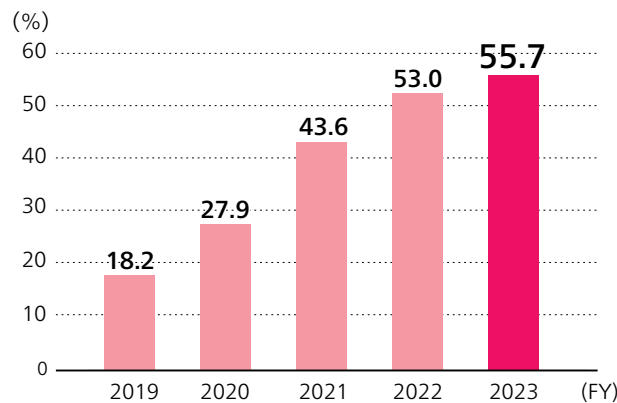
■ Certified as a Platinum Kurumin company

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.

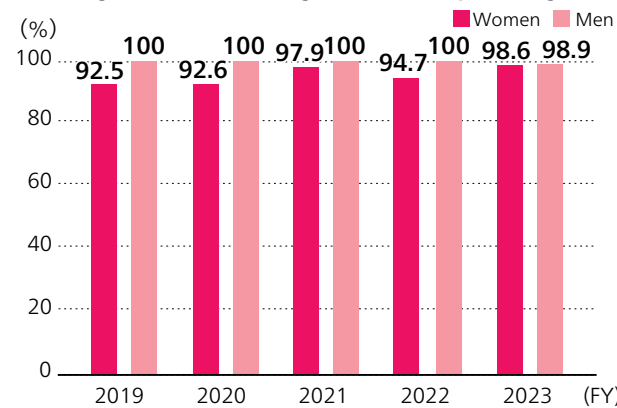
In FY 2023, 525 employees (418 women and 107 men) took parenting leave, with the percentage of those returning to work after their leave reaching 98.7% (98.6% of women and 98.9% of men).



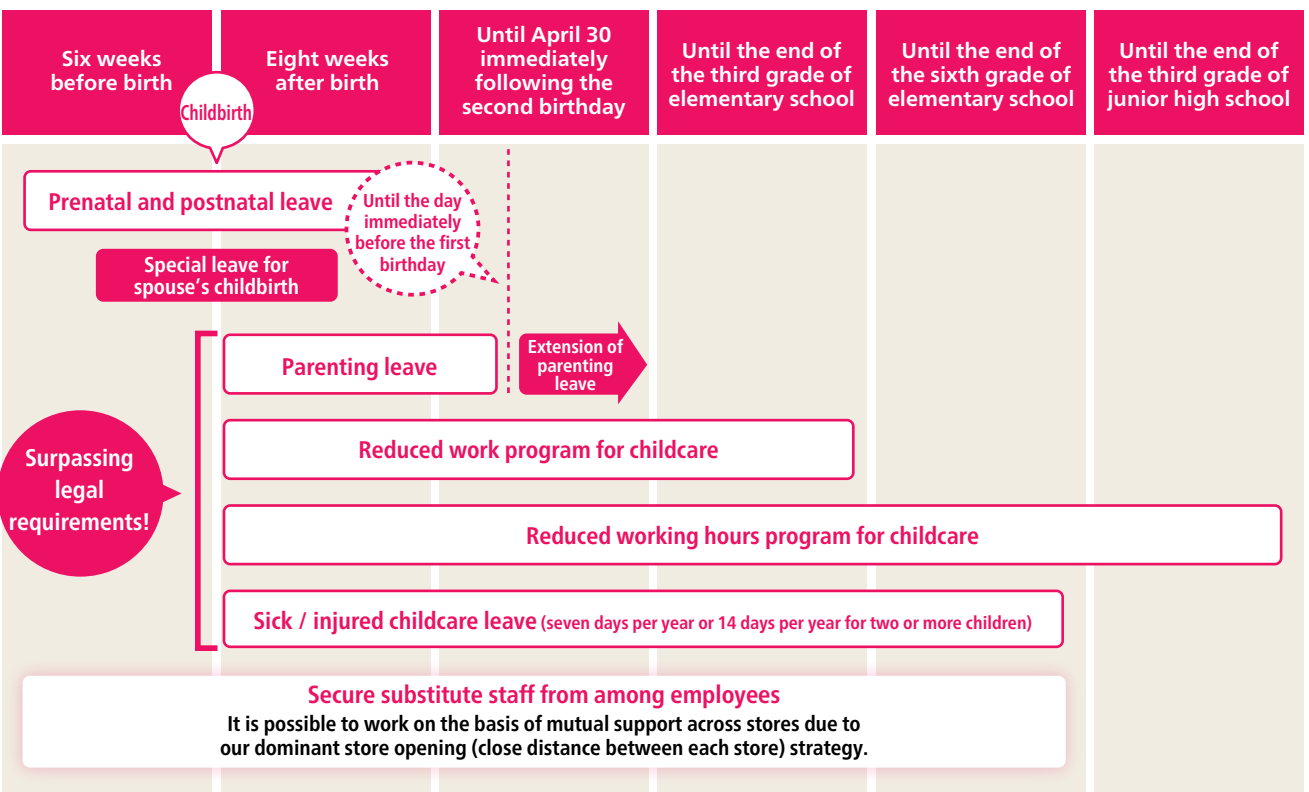
Percentage of male employees who took parenting leave (%)



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



Support programs that accommodate diversity



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 six consecutive years.

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



Health management declaration

“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 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 the era of 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.



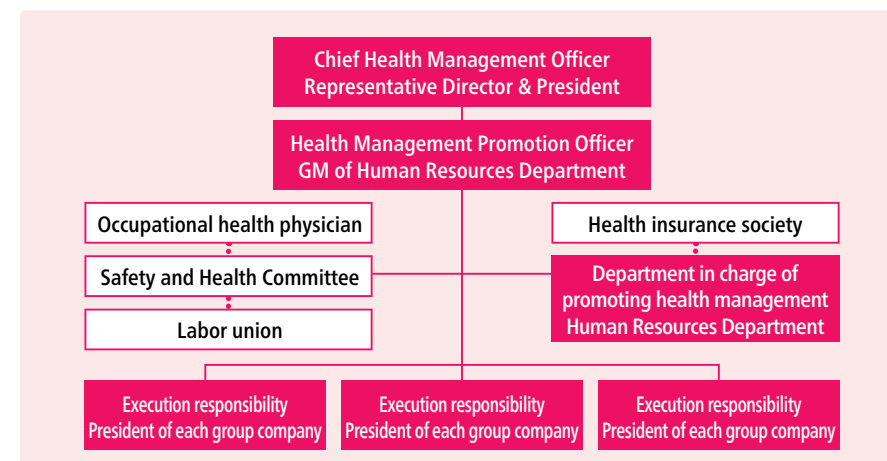
Katsunori Sugiura

SUGI Holdings Co., Ltd.
Representative Director & President

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

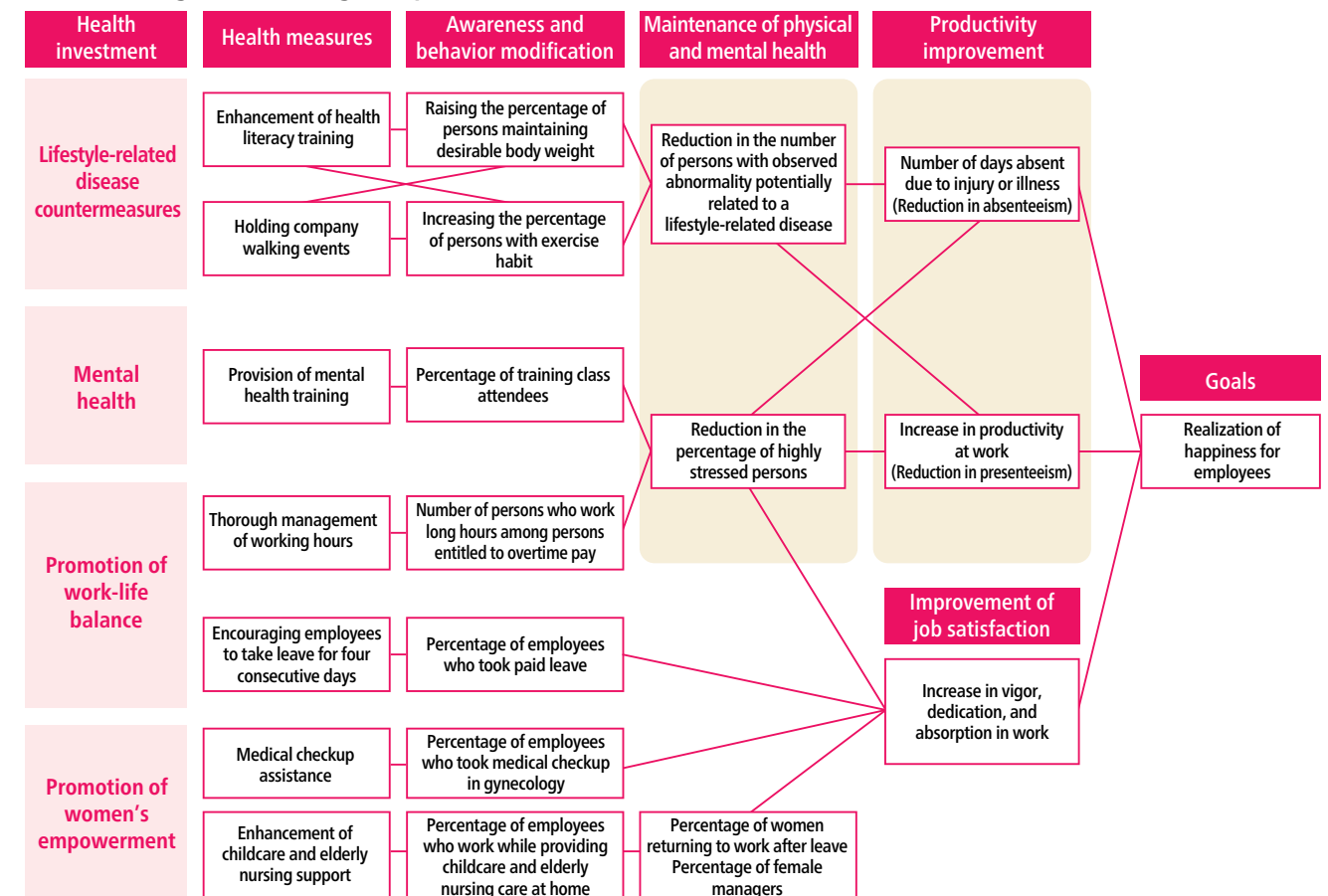


Health management strategic map

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
- 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
- Specified health guidance provided by registered dietitians of SUGI Pharmacy
- Encouraging employees to take leave for four consecutive days (twice a year)
- Health questionnaire
- Expense assistance for cancer screening and gynecology checkup
- Stress checks (annual)

Mechanisms to support the physical and mental health of employees

The Company established the "Mental Health Promotion Office" for employees in March 2007, a first 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.

Consultation with doctors via chat or video call

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

■ 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 the workplace environment that is causing them stress, thereby creating a comfortable workplace.

■ Establishment of “Anything Consultation Call Service for All Workplace Concerns”

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.

● Strengthening employee engagement

■ Holding events for employees’ families

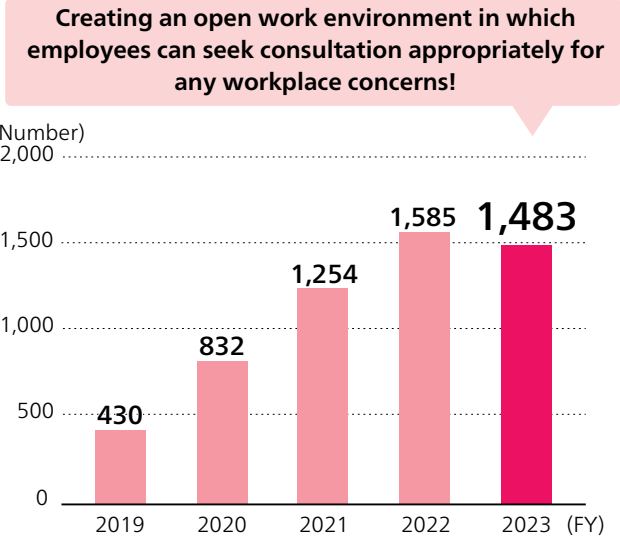
During the pre-opening of a new store, we invite family members of our employees to an event to support their shopping. We hold these events so that families can learn about the environment in which each employee works every day and so that they become fans of SUGI Pharmacy.



■ 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.

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



Human Resource Development

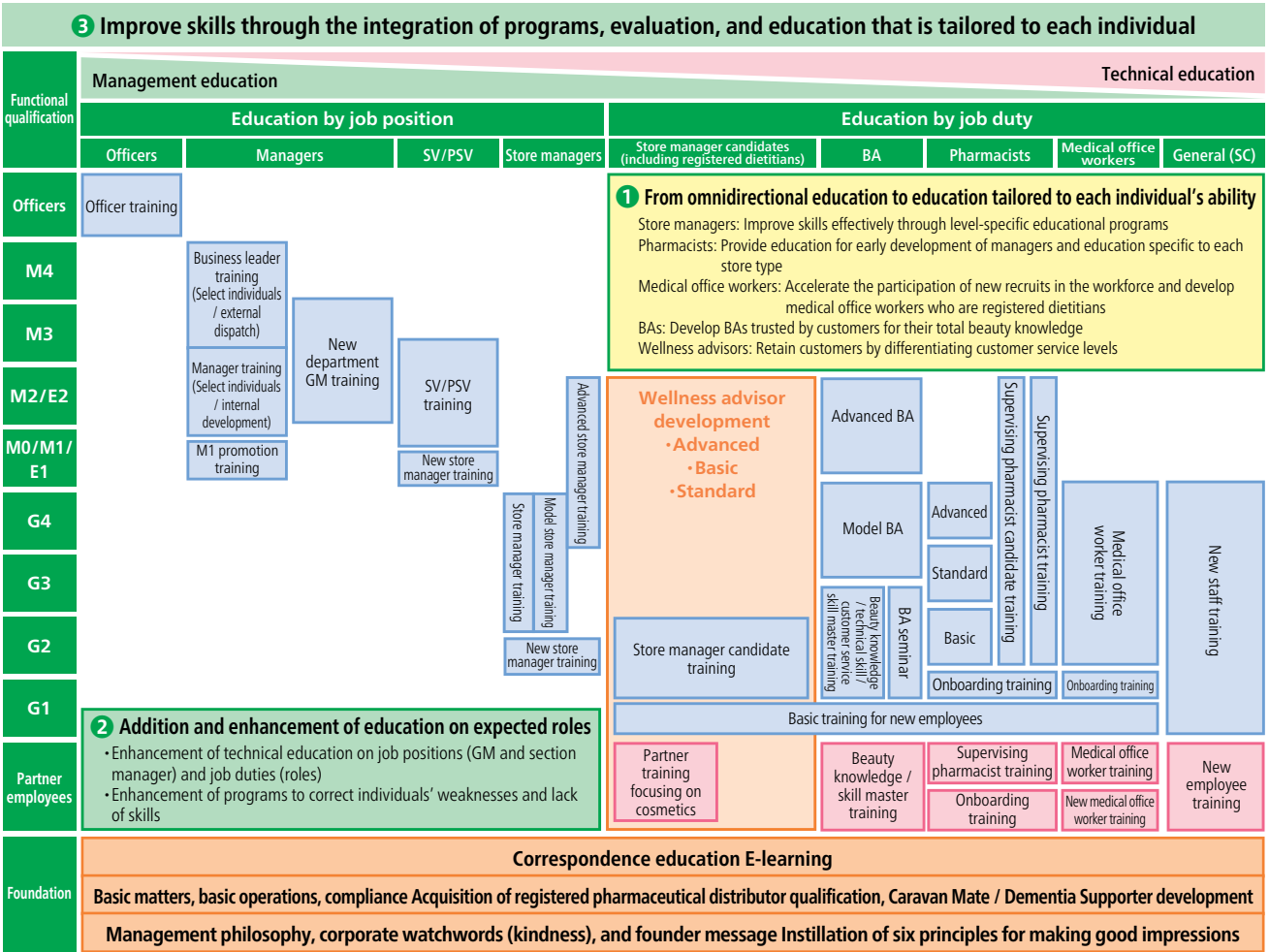
● Improving capacity development training for employees

Having clarified the required skills necessary for employees 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

SUGI Pharmacy education system

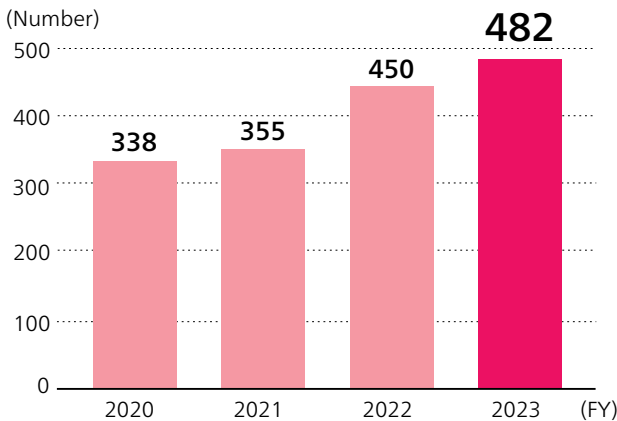


● Promoting motivational management by visualizing performance and evaluation

■ Group award program

Based on thank you messages received from customers on a daily basis, relevant employees are recognized as appropriate. In addition, employees and stores that have delivered excellent performance by actions based on the Company's management philosophy are recognized at the year-end award ceremony. In FY 2023, 85 employees and 24 stores were recognized.

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



■ Achievements announced at a ceremony attended by all Group executives

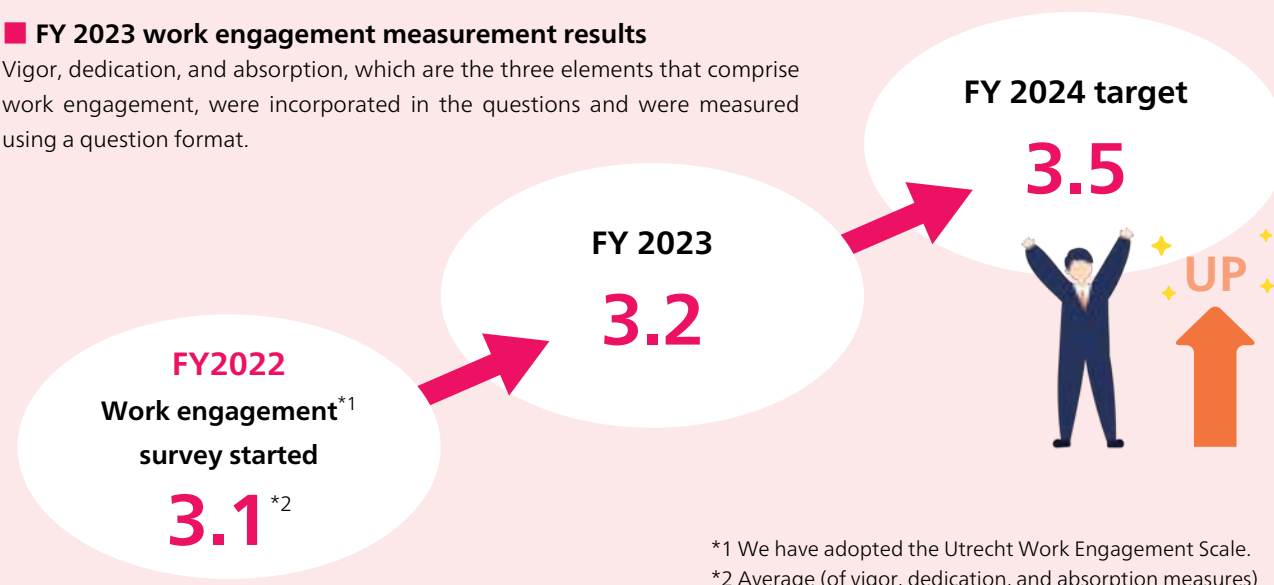


Improving the work environment based on employee work engagement

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 2023 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.

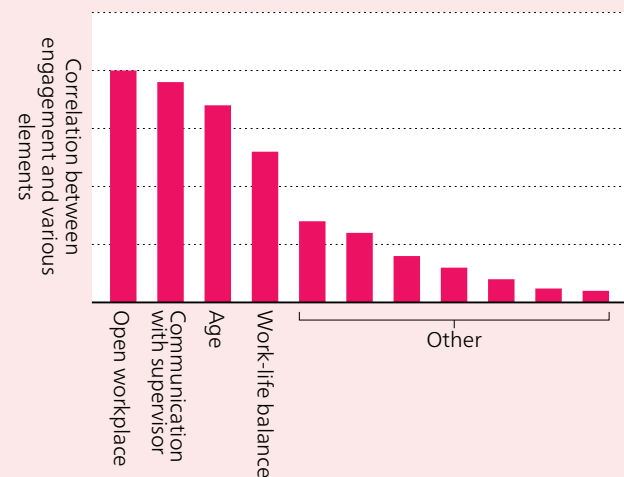


*1 We have adopted the Utrecht Work Engagement Scale.
*2 Average (of vigor, dedication, and absorption measures)

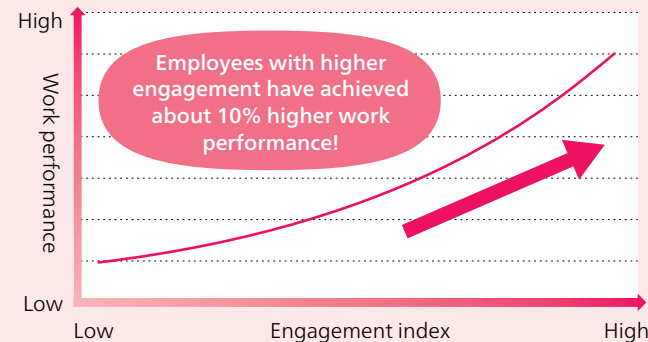
Engagement analysis

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 supervisor 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 supervisor to subordinates, motivation, and the competency level of the supervisor'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 asset development

- Clarifying skills and improving skills through training, OJT, job rotation, and self-learning

Compliance and corporate culture reform

- Eradicating long working hours, unpaid overtime, and harassment
- Implementing officers' visits to all stores and introducing an employee proposal system

On-site subordinate management

- Thorough training of subordinate management techniques



As a results of company-wide efforts focused on individual engagement

Employee job satisfaction scores (motivation) are steadily increasing

The effect of implementing strategies and measures for each department and promoting human resources strategies



Ambition to grow

< Engagement >
<Motivation for promotion>



Sense of belonging

<Sense of attachment to the Company>



Corporate Governance

To become a company needed by society, the Company has been working on achieving sustainable growth and 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 return 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 information 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.



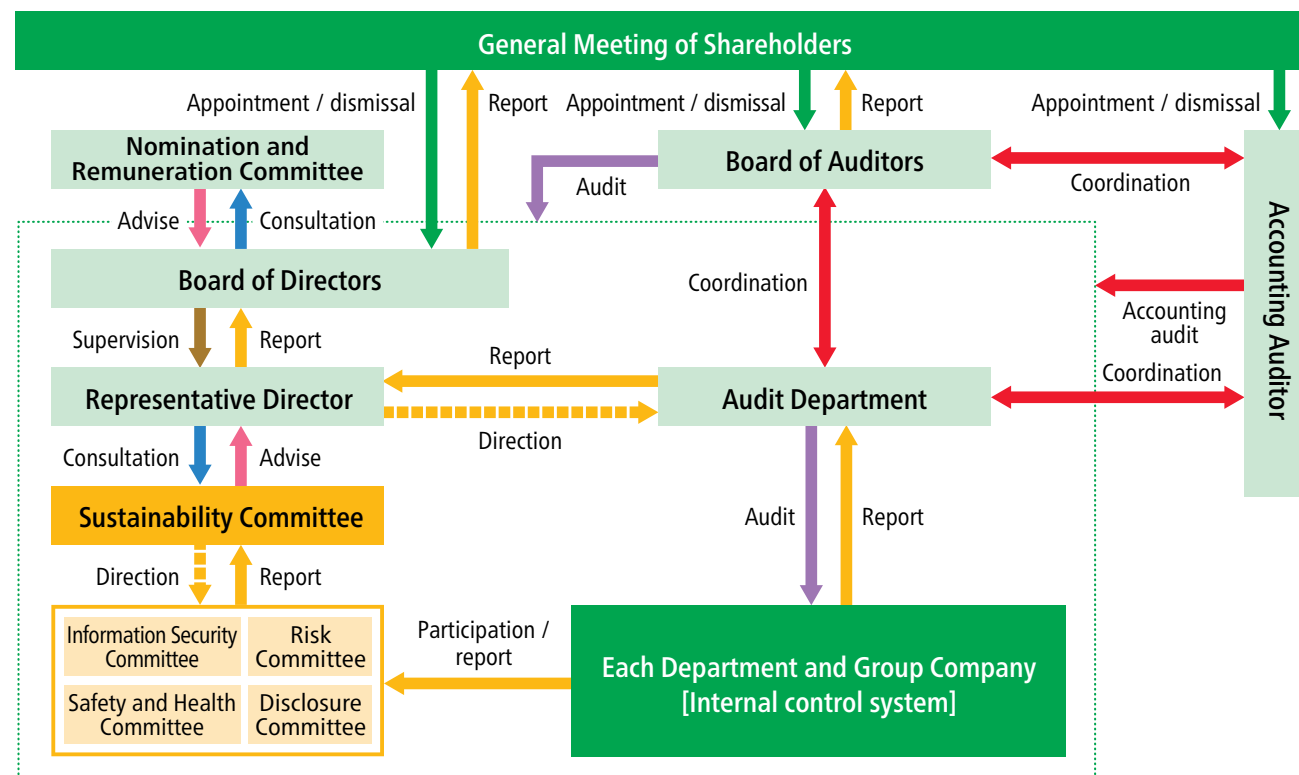
https://www.sugi-hd.co.jp/pdf/sustainability/data/cg_basic.pdf

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 seven Directors (including four 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 and remuneration of 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 22, 2024

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	7
Number of Directors who are External Directors	4
Number of External Directors designated as independent officers	4

(As of May 22, 2024)

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	4
Number of Auditors who are External Auditors	3
Number of External Auditors appointed as independent officers	3

(As of May 22, 2024)

Roles of the Board of Directors

The Board of Directors aims to achieve the sustainable growth of corporate value by performing its supervisory function through realizing highly effective corporate governance and 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 management 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 successor development 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, 2024)



Eiichi Sakakibara

Representative
Director & Chairman

Date of birth: August 14,
1956

Years served as Director:
26 years

Attendance rate at board
meetings

100% (12/12 times)

Number of shares of the
Company held:
152,861 shares

Career Summary

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)

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.



Chairman

Katsunori Sugiura

Representative
Director & President

Date of birth: October
14, 1978

Years served as Director:
7 years

Attendance rate at board
meetings

100% (12/12 times)

Number of shares of the
Company held:
150,861 shares

Career Summary

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)

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, a business strategy for realizing 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, an overseas strategy, a capitalization strategy, 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.



Shinya Sugiura

Director & Senior
Vice President

Date of birth: November
30, 1979

Years served as Director:
7 years

Attendance rate at board
meetings

100% (12/12 times)

Number of shares of the
Company held:
150,574 shares

Career Summary

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)

Mr. Shinya Sugiura, as Director & Senior Vice President of the Company and Sugi Pharmacy Co., Ltd., supervises its sales division, while fulfilling his responsibilities as Representative Director of SUGI Medical Co., Ltd. with his experience in and knowledge of the healthcare business by promoting the healthcare and nursing care businesses and leading M&A and business alliances with major companies in the industry, thereby promoting the healthcare and prescription strategies of the SUGI Pharmacy Group. Based on the judgment that his knowledge and experience will significantly contribute to development of the core business of the Group going forward, we reappointed him as Director.



Shigeyuki Kamino

External Director

External Independent

Date of birth: May 23,
1947

Years served as Director:
9 years

Attendance rate at board
meetings

100% (12/12 times)

Number of shares of the
Company held:
- shares

Career Summary

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)

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 provided valuable insights 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.



Shiro Uchida

External Director

External Independent

Date of Birth: April 2,
1955

May 2024 to date

Number of shares of the
Company held:
- shares

Career Summary

October 1980: Joined Tokyo Office of Peat Marwick Mitchell Accounting Firm
January 1993: Partner in Charge of Japanese Companies in the U.S. at Chicago Branch, Price, Waterhouse & Co.
October 1999: Director of PricewaterhouseCoopers Consulting Co., Ltd.
October 2002: Director of IBM Business Consulting Services KK.
October 2005: Representative Director and President of BearingPoint Co., Ltd.
May 2009: Representative Director and President of PricewaterhouseCoopers Consultants Co., Ltd.
July 2012: Representative Director and Chairman of PricewaterhouseCoopers Co., Ltd.
January 2015: Representative Director and Chairman of SAP Japan Co., Ltd.
April 2023: Representative Director and President of Community Mesh Co., Ltd. (to date)

Mr. Shiro Uchida has provided management guidance to major companies both in Japan and abroad and managed multiple companies by leveraging the extensive experience and great knowledge he has cultivated while working as a certified public accountant in both Japan and the U.S. Based on the judgment that his appropriate supervision of and advice on the execution of duties by the Directors from an expert perspective regarding digital transformation, corporate management, finance, M&A, etc., will significantly contribute to the further development and expansion of the Group, we appointed him as External Director.



Hideaki Takaishi

External Director

External Independent

Date of Birth: October 7,
1958

May 2024 to date

Number of shares of the
Company held:
- shares

Career Summary

April 1983: Joined Mitsubishi Corporation
April 2011: Assumed position of Corporate Management Department General Manager of Mitsubishi Corporation
April 2012: Representative Director, Vice President, and Chief Financial Officer of IT Frontier Corporation
July 2014: Vice President and Chief Administrative Officer of Tata Consultancy Services Japan, Ltd.
June 2016: Director and Audit and Supervisory Committee Member of Chiyoda Corporation
June 2018: Director and Executive Managing Officer of Mitsubishi Shoji Construction Materials Corporation
April 2021: External Director, Sanntsu Corporation (to date)
June 2022: External Auditor of SystemEXE, Inc. (to date)
August 2023: Full-time Auditor of Legaseed Inc. (to date)

Mr. Hideaki Takaishi has extensive experience and wide-ranging knowledge cultivated while working for many years on financial affairs and overseas business at a major general trading company. He has also served as an external director and auditor for major Japanese companies. Based on the judgment that his appropriate supervision of and advice on the execution of duties by the Directors from an expert perspective regarding overseas strategies, capital policy, and various financial strategies will significantly contribute to the further development and expansion of the Group, we appointed him as External Director.



Kaseri Oura

External Director

External Independent

Date of Birth: October
27, 1975

May 2024 to date

Number of shares of the
Company held:
- shares

Career Summary

September 1998: Joined Kyowa Hakko U.S.A.
June 2010: Joined Bristol-Myers Squibb U.S.A.
October 2012: Executive Managing Officer responsible for Research and Development Division of Bristol-Myers Squibb K.K.
June 2016: People & Business Resource Group General Manager of Bristol-Myers Squibb U.S.A.
October 2017: Executive Managing Officer responsible for Commercial Division of Bristol-Myers Squibb K.K.
September 2019: CEO and Executive Director of Global Health Innovative Technology Fund
November 2019: Director of Tokyo American Club
September 2021: President and CEO of Labcorp Development Japan Co., Ltd. (currently Labcorp Laboratories Japan, LLC)
May 2022: Regular Member of Board of Overseers at Temple University Japan Campus (to date)
November 2023: Governor of American Chamber of Commerce in Japan (to date)

Ms. Kaseri Oura has worked for major pharmaceutical manufacturers both in Japan and abroad and has extensive experience and deep knowledge cultivated through her long global career in the pharmaceutical industry. Based on the judgment that her appropriate supervision of and advice on the execution of duties by the Directors from an expert perspective regarding the formulation of healthcare strategies in collaboration with large pharmaceutical manufacturers, among other things, will significantly contribute to the further development and expansion of the Group, we appointed her as External Director.

Career Summary and Reasons for Appointment of Auditors (As of May 22, 2024)



Toshihiko Sakamoto

External Full-time Auditor

External Independent

Date of birth: October 25, 1946

Years served as External Auditor: 12 years

Attendance rate at board meetings 100% (12/12 times)

Attendance rate at Audit & Supervisory Committee meetings 100% (13/13 times)

Number of shares of the Company held: 300 shares

Career Summary

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. (to date)
March 2017: Auditor, Sugi Pharmacy Co., Ltd. (to date)
Auditor, SUGI Medical Co., Ltd. (to date)
May 2017: Full-time Auditor, SUGI Holdings Co., Ltd. (to date)

Mr. Toshihiko Sakamoto has been involved in business management at Japanese 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 its business. We have judged that he is capable of conducting proper 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 continued to appoint him as External Auditor.

Career Summary

April 1987: Joined Fuji Bank, Ltd.
January 2006: Assumed position of IT and Systems Management Department Deputy General Manager of Mizuho Corporate Bank, Ltd.
October 2014: Deputy General Manager, Operational Auditing Department, Mizuho Bank Ltd.
April 2022: Manager, Internal Audit Office, Foster Electric Company, Ltd.

Mr. Toshiaki Shimura has held key positions at listed Japanese companies and has extensive experience and deep knowledge cultivated from being involved in audits at Japanese and overseas companies. Based on our judgment that he is capable of appropriately auditing the Company's business, including its expanded businesses such as DX and overseas businesses, from an objective viewpoint, we elected him as External Auditor. Although he has not been involved in corporate management except for serving as an external director or corporate auditor, we have judged that he is capable of appropriately fulfilling his responsibilities as External Auditor for the abovementioned reasons.



Toshiaki Shimura

External Full-time Auditor

External Independent

Date of birth: September 28, 1963

May 2024 to date

Number of shares of the Company held: - shares

Career Summary

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)

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.



Kana Yasuda

External Auditor

External Independent

Date of birth: April 10, 1969

Years served 14 years

Number of shares of the Company held: - shares

Attendance rate at Audit & Supervisory Committee meetings 100% (13/13 times)

Career Summary

April 1983: Joined The Fuji Bank, Limited (currently, Mizuho Bank, Ltd.)
October 1990: Joined Tohmatsu & Co. (currently, Deloitte Touche Tohmatsu LLC)
March 1994: Registered as a Certified Public Accountant
January 2007: Joined KPMG Century Audit Corporation (currently, Ernst & Young ShinNihon LLC)
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)
May 2018: External Auditor, Adastria Co., Ltd. (to date)
June 2020: External Director, Zensho Holdings Co., Ltd.
May 2023: External Auditor, BELLSYSTEM24 Holdings, Inc. (to date)

Ms. Yoshiko Hayama has a high level of expertise in finance and accounting as a certified public accountant and an external director and auditor of listed companies, as well as extensive experience in and wide-ranging knowledge of legal affairs, compliance, and risk management. Furthermore, she has served as a Director of the Company since May 2016 and is familiar with the business of the Company. Based on our judgment that she is capable of appropriately auditing the Company's business by applying her knowledge of the overall management of the Company and her great expertise in accounting, we elected her as Auditor.



Yoshiko Hayama

Auditor

Date of birth: October 7, 1959

May 2024 to date

Number of shares of the Company held: - shares

Skills Matrix

	Name	Corporate management	Business strategies	Human resources	Legal affairs and risk management	Finance and accounting	Healthcare	Digital transformation	Overseas operations
Director	Eiichi Sakakibara	●	●	●	●		●		
	Katsunori Sugiura	●	●	●			●	●	●
	Shinya Sugiura	●	●	●			●		
	Shigeyuki Kamino	●	●	●					
	Shiro Uchida	●	●	●	●	●		●	●
	Hideaki Takaishi	●	●		●	●		●	●
	Kaseri Oura	●	●	●			●		●
Auditor	Toshihiko Sakamoto				●	●			
	Toshiaki Shimura				●	●			
	Kana Yasuda				●	●			
	Yoshiko Hayama				●	●			

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.

Training programs (past results)

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

Notice regarding introduction of executive managing officer system

SUGI Holdings Co., Ltd. is pleased to announce that, at the meeting of the Board of Directors held on January 22, 2024, it decided to introduce an executive managing officer system and appoint executive managing officers.

1. Purpose of introducing an executive managing officer system

We have introduced an executive managing officer system in order to respond promptly and flexibly to changes in the environment surrounding the Group and its management issues and to promote digital transformation and overseas business, which are the Company's growth strategies, while strengthening corporate governance.

2. Overview of the executive managing officer system

- Executive Managing Officers are delegated the authority to execute business operations based on business policies decided by the Board of Directors and are responsible for business execution under the supervision of the Board of Directors.
- Executive Managing Officers are appointed or dismissed by resolution of the Board of Directors.
- The term of office of Executive Managing Officers shall be one year, and reappointment shall not be precluded.

3. Date of introduction of the executive managing officer system: March 1, 2024

4. Executive managing officer system

New position	Name	Current position
Executive Managing Officer in Charge of Corporate Planning and Finance	Makoto Kasai	Newly appointed
Executive Managing Officer in Charge of Human Resource Management, Administration, and Risk Management	Shigeki Mori	Newly appointed
Executive Managing Officer in Charge of Digital Transformation and Corporate Branding	Kazuya Morinaga	Newly appointed
Executive Managing Officer in Charge of Overseas Business	Takeshi Yamamoto	Newly appointed
Executive Managing Officer in Charge of Healthcare and Prescription Dispensing	Satoshi Kubo	Newly appointed

Matters concerning independent officers

In order to ensure the objectivity and transparency that are necessary for the appropriate governance of the Company, the Company has established independence criteria for external officers of the Company (meaning External Directors and External Auditors, including their candidates) shown below. If an external officer satisfies all of the following items, he or she is deemed to be sufficiently independent from the Company:

1. The officer in question is not currently an executive (Note 1) and have never been an executive of the Company or any of its subsidiaries and associates (hereinafter collectively referred to as the “Group”) during the period of 10 years immediately before assuming office.
2. The officer in question is not a person whose major business partners include the Group (Note 2) or an executive of such person.
3. The officer in question is not a major business partner of the Group (Note 3) or an executive of such business partner.
4. The officer in question is not a major shareholder of the Company who directly or indirectly holds 10% or more of the total voting rights of the Company or an executive of such shareholder.
5. The officer in question is not an executive of a person 10% or more of whose total voting rights are directly or indirectly held by the Group.
6. The officer in question is not a consultant, accounting expert (such as a certified public accountant), or legal expert (such as a lawyer) who receives a large amount of money or other property (Note 4) from the Group in addition to the remuneration as an officer of the Company. If such a person is a juridical person, partnership, or other group, any persons belonging to the group are included.
7. The officer in question is not a person who receives a large amount of money or other properties (Note 4) from the Group in the form of donation.
If such a person is a juridical person, partnership, or other group, any persons belonging to the group are included.
8. The officer in question is not an accounting auditor of the Company. If such an accounting auditor is a juridical person, partnership, or other group, any persons belonging to the group are included.
9. The officer in questions is not a person who has fallen under any of 2. through 8. above anytime during the last five years.
10. No close relative (Note 5) of the officer in question falls under any of 2. through 8. above (except for 6. and 8., limited to an important executive (Note 6)).
11. The officer in question is not an executive of another company with which the Company has a relationship in which external officers are mutually appointed (Note 7).

Notes:

1. An “executive” means an executive director, executive officer, executive managing officer, or executive employee of a stock company, a director of a juridical person or other group other than a company, and a person holding a similar position and a similar employee of a juridical person or other group including a company.
2. A “person whose major business partners include the Group” is a person who falls under any of the persons listed below:
 - A business partner group (meaning a person who belongs to a consolidated group to which a direct business partner belongs; hereinafter the same shall apply) that is providing products or services to the Group and whose amount of transactions with the Company for the latest fiscal year was 10 million yen or more and exceeded 2% of its consolidated net sales or total revenue.
 - A business partner group to which the Group owes a total liability of 10 million yen or more at the end of the latest fiscal year and exceeding 2% of consolidated total assets of the business partner group at the end of the same fiscal year.
3. A “major business partner of the Group” is a person who falls under any of the persons listed below:
 - A business partner group to which the Group is providing products or services and whose amount of transactions with the Company for the latest fiscal year was 10 million yen or more and exceeded 2% of the Company’s consolidated net sales.
 - A business partner group that owes to the Group a total liability of 10 million yen or more at the end of the latest fiscal year and exceeding 2% of consolidated total assets of the Company at the end of the same fiscal year.
 - A financial institution group (meaning a person who belongs to a consolidated group to which a direct lender belongs) from which, at the end of the latest fiscal year, the Group has a total borrowing exceeding 2% of consolidated total assets of the Company at the end of the same fiscal year.
4. A “large amount of money or other property” means 10 million yen or more in total for the latest fiscal year if it refers to an individual. If it refers to a juridical person, partnership, or other group, it means an amount equivalent in total to more than 2% of consolidated total assets of the juridical person, partnership, or other group at the end of the latest fiscal year.
5. A “close relative” means a spouse or a relative within the second degree of kinship.
6. An “important executive” means an executive who holds a position that is equivalent to or above the position of director, executive officer, executive managing officer, or general manager of a division/department or an executive who has equivalent power.
7. “Mutually appointed” means a relationship in which an executive of the Company serves as an external officer of the other company while an executive of the other company serves as an external officer of the Company.

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 (for the fiscal year ended February 2024) and future initiatives

The Board of Directors is functioning highly effectively as a result of its improved composition, operation, agenda, and support system. The Board is also having sufficient discussions on important agenda, such as M&A and alliances, as annual policies on healthcare, digital transformation, overseas business, ESG, etc., and the medium-term management plan are properly shared.

In the future, we will work to increase the effectiveness of the Board of Directors further by increasing the number of External Directors and Auditors to increase diversity, holding board meetings more effectively and efficiently, and enhancing discussions on management strategies and issues with awareness of the cost of capital and share price.

1. Regarding the composition of the Board of Directors

The diversity of Directors and Auditors in terms of the knowledge, experience, skills, etc., has been secured appropriately, and they are individuals who can contribute to frank, active, and constructive discussions.

We can expect increased diversity and more constructive and fruitful discussions going forward as the numbers of both External Directors and Auditors have increased since May 2024.

2. Regarding the operation of the Board of Directors

Board meetings are properly operated as they are operated systematically in accordance with an annual schedule, and any materials to be submitted to the Board of Directors are sent in advance and important matters are explained beforehand to board members.

We will continue to ensure that materials are sent properly in advance and important matters are explained properly beforehand. We will also work to operate board meetings more effectively and efficiently through more appropriate meeting scheduling and time allocation over agenda items.

3. Regarding the meeting agenda of the Board of Directors

Agenda items for board meetings have been selected appropriately as the direction of corporate strategies and the medium-term management plan have been shared with the Board of Directors, and the scope of delegation to the management side has been clearly defined.

In the future, we will also consider introducing discussions at board meetings on remuneration and appointment of Directors in coordination with the Nomination and Remuneration Committee in order to ensure more appropriate remuneration and appointment of Directors.

4. Regarding the support system for the Board of Directors

Directors and Auditors are provided with appropriate opportunities to obtain necessary information and to request the provision of additional information. The support of the Internal Audit Department is also ensured.

In the future, we will consider introducing regular meetings only among external officers and interviews between external officers and Directors/Executive Managing Officers in order to further boost the ability of the Board of Directors to get things done.

5. Regarding the self-evaluation by Directors and Auditors

The results of self-evaluation by Directors and Auditors indicate that each of them has been able to update information through on-site visits and exchange meetings with other external officers and to express their opinions from diverse perspectives based on their own knowledge.

We will continue to provide support to the self-improvement efforts of Directors and Auditors in order to ensure that each of them will be able to fulfill their roles and responsibilities at board meetings.

6. Regarding management strategies and issues

As annual policies on healthcare, digital transformation, overseas business, ESG, etc., and the medium-term management plan are properly shared every year, the Board of Directors can discuss important matters, such as M&A and alliances, sufficiently.

In the future, we will further enhance discussions on business portfolio rebalancing, management resources allocation, etc., through the monitoring of management strategies and issues with awareness of the cost of capital and share price.

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 are independent External Directors and Auditors, a policy for determining the details of remuneration 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 2023 was in line with the determination policy mentioned above because the policy for determining the details of remuneration and the details 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.

Policy for determining the details 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 the indicator for performance-based remuneration because we recognize the importance of improving motivation to pursue profit in our core business.

Policy for determining the details 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 to achieve the sustainable growth of 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 their 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 more familiar with the management conditions of the Company 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 remuneration for the current fiscal year

Category	Total amount (million yen)	Total amount by type (million yen)			Number of persons
		Fixed remuneration	Performance-based remuneration	Non-monetary remuneration	
Directors (of which, External Directors)	177 (13)	118 (13)	52 (-)	7 (-)	5 (2)
Auditor (of which, External Auditors)	17 (17)	17 (17)	- (-)	- (-)	3 (3)
Total (of which, External Directors and External Auditors)	194 (31)	135 (31)	52 (-)	7 (-)	8 (5)

- Notes: 1. The total amount of remuneration paid to Directors excludes the portion of employee salary 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.
- In addition to the aforementioned amount of remuneration, the total amount of monetary remuneration claims provided as restricted stock remuneration to Directors (excluding External Directors) was resolved to be within 80 million yen per year (not including salaries received as employees) and the total number of shares of common stock to be issued or disposed of was resolved to be within 10,000 per year at the 40th Ordinary General Meeting of Shareholders held on May 20, 2022. At the time of the resolution, the number of Directors was 3 (excluding External Directors).
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 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 remuneration of individual Directors" above.

Relationships with Shareholders

Securing shareholders' rights

We are determined to act appropriately and 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 of 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.

(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 required.

(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 a comprehensive judgment by confirming whether each agenda will contribute to the enhancement of corporate value of the Company 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, the Board of Directors has examined each stock to confirm the significance of its holding purpose.

Status of dialogues with investors	FY 2021	FY 2022	FY 2023
Financial briefings for institutional investors and analysts (1H and full-year)	2	2	2
Financial briefing small meetings for institutional investors and analysts	34	27	31
Conference hosted by securities companies	8	5	5
Individual meetings for institutional investors (face-to-face meetings and interviews by phone)	168	166	180

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.

Stock split

We have carried out a stock split for the purpose of lowering the share price per investment unit, thereby making it easier for investors to invest and expanding the investor base.

Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Thursday, February 29, 2024 is to be split into three shares.

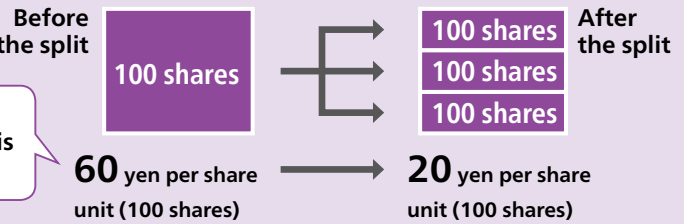
On March 1, 2024, each share of common stock was split into three shares.

Stock split ratio 1 : 3

Record date of stock split: February 29, 2024

Effective date: March 1, 2024

For example, If share price is 6,000 yen,



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 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.

Functions of Each Committee

Committee	Functions
Sustainability Committee	The Committee deliberates on matters concerning the contribution of the SUGI Pharmacy Group to the sustainable development of society and the economy through its business activities and the creation of common value with society and while working to ensure that the SUGI Pharmacy Group will achieve sustainable growth by supervising risk management, information security, employee safety and health, information disclosure, etc.
Risk Committee	The Committee deliberates on matters concerning various risks to the operation of the entire SUGI Pharmacy Group (changes in business environment, compliance, information management, etc.) while raising awareness and providing education about risk management.
Information Security Committee	The Committee deliberates on matters concerning continuous enhancement and improvement of information security measures for the entire SUGI Pharmacy Group while raising awareness and providing education about information security.
Safety and Health Committee	The Committee deliberates on matters concerning the prevention of occupational injury, securing employee safety and health, and the formation of a comfortable work environment for the entire SUGI Pharmacy Group while raising awareness and providing education about safety and health.
Disclosure Committee	The Committee deliberates on the information transparency, timeliness, fairness, continuity, and consistency between disclosure items in disclosure required by the Financial Instruments and Exchange Act and the Companies Act, timely disclosure required by the rules of relevant financial instruments exchanges, important voluntary disclosure, and other reports containing non-financial information, such as ESG information.

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 the countermeasures to them. 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	● Intensified competition with industry peers and different industries ● Industrial reorganization and oligopoly through large-scale M&A
	1-2 Applicable laws, regulations, etc.	● Drastic reductions of drug prices and dispensing fees ● Revisions of applicable tax rules and accounting standards
	1-3 Investments	● Failure of investments in new stores ● Failure of M&A investments
2. Risks relating to natural disasters, infectious diseases, etc.	2-1 Large-scale disasters	● Stagnation of 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	● 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	● Stagnation of 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	● 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	● 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	● Worsening of work environments and safety and health ● Acts of human rights violation (harassment and discriminatory practices, etc.)
	3-4 Human assets	● Shortage of managerial human resources ● Intensified competition for hiring capable human resources
	3-5 Supply chain	● 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 organizations 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



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

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-IM1736
JQA-IM1863
JQA-IM1978

Certification registration number: JQA-IM1736

Scope of registered activities: Development and provision of health guidance service, information offering service, etc., based on healthcare data

Certification registration number: JQA-IM1863

Scope of registered activities: Incoming call handling and record preparation services
Managing the registration of and changes in point card members

Certification registration number: JQA-IM1978

Scope of registered activities: The following operations at the product management department and the digital marketing department

- ① Operations concerning CRM strategies and analysis using the Company’s own media; and
- ② Operations concerning sales promotion, advertising, and planning and implementation management of various measures and campaigns in the digital domain.

04

Fact Data

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Financial Indices

	(Million yen)				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Net sales	542,361	602,850	625,477	667,647 ^{*1}	744,477
Operating income	30,159	34,041	32,137	31,658	36,622
Ordinary income	31,473	35,333	33,082	32,391	38,039
Profit attributable to owners of parent	20,782	21,120	19,389	19,007	21,979
Depreciation	8,412	9,940	11,268	12,362	14,121
Net cash provided by (used in) operating activities	45,353	34,027	7,174	38,279	39,041
Net cash provided by (used in) investing activities	-18,422	-29,254	-23,892	-23,256	-30,976
Net cash provided by (used in) financing activities	-4,895	-5,274	-5,295	-14,209	-5,284
Cash and cash equivalents at end of period	56,347	55,845	33,831	34,622	37,406
End of consolidated fiscal year					
Net assets	182,750	200,629	213,890	216,538	233,362
Total assets	313,757	345,933	334,758	351,895	390,563
Per share information (yen)					
Net income ^{*2}	112.07	113.89	104.56	103.82	121.46
Net assets ^{*2}	985.49	1,081.90	1,153.42	1,196.68	1,289.59
Dividend	80	80	80	80	80
Management indices (%)					
Equity ratio	58.2	58.0	63.9	61.5	59.8
Return on equity (ROE)	11.9	11.0	9.4	8.8	9.8
Return on total assets (ROA)	10.9	10.7	9.7	9.4	10.2
Payout ratio	23.8	23.4	25.5	25.7	22.0
Annual sales growth rate (%)					
All stores: Corporate group as a whole	+11.0	+11.2	+3.8	- ^{*1}	+11.7
All stores: SUGI Pharmacy operations ^{*2}	+13.8	+12.7	+5.3	+8.0	+12.4
Existing stores: Corporate group as a whole	+5.1	+4.3	-0.7	+3.1	+7.0
Existing stores: SUGI Pharmacy operations ^{*2}	+5.9	+4.7	0.0	+3.6	+7.3
Indices on prescription dispensing information					
Sales of prescription dispensing	105,279	117,597	132,743	142,461	158,777
Number of prescriptions filled (thousand sheets)	9,833	10,101	11,730	12,913	14,759
Prescription cost (yen)	10,707	11,642	11,318	11,033	10,758

^{*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 and later years are calculated by applying the Accounting Standard, etc. For this reason, percentage changes from the previous fiscal year are not presented for FY 2022. ^{*2}: On March 1, 2024, we conducted a 3-for-1 stock split of common stock. Net assets per share and net income per share are calculated as if the stock split had been carried out at the beginning of FY 2019.

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 2020	FY 2021	FY 2022	FY 2023
Numbers representing the Company				
Number of stores ^{*1}	1,391	1,483	1,565	1,718
Number of new stores	121	112	107	144
Year-end total square meters of sales floor (m ²)	847,543	915,322	963,270	1,025,379
Numbers relating to customer base				
Number of visitors per year	316,850,068	339,909,390	345,818,315	347,401,865
Number of visitors per year: Merchandising	308,854,178	330,838,009	335,822,636	336,258,041
Number of visitors per year: Prescription dispensing	7,995,890	9,071,381	9,887,529	11,143,824
Number of SUGI Pharmacy point members	18,042,809	19,414,675	20,838,945	22,232,080
Number of SUGI Pharmacy app downloads ^{*2}	6,018,926	8,331,741	10,442,740	12,017,141
Number of Family Pharmacy app downloads	161,060	368,644	622,034	950,695
Numbers relating to prescription dispensing				
Number of prescription dispensing pharmacies	1,050	1,166	1,220	1,283
Percentage of prescription dispensing stores (%)	82.9	85.5	84.4	81.8
Number of home-visit prescription dispensing centers			28	43
Number of prescriptions filled	10,101	11,730	12,913	14,759
Number of health support pharmacies	16	16	14	14
Local alliance pharmacies	-	39	46	21
Pharmacies allied with specialized medical institutions	-	2	3	3
Percentage of prescription dispensing of drugs that require special management (%) ^{*3}	-	2.4	2.2	2.1
Numbers relating to function updates for an aging society				
Number of stores providing home-visit prescription dispensing services	541	556	565	601
Total number of customers who used home-visit prescription dispensing services (annual)	146,794	160,411	176,037	189,109
Number of home-visit nursing stations	13	13	14	16
Total number of customers who used home-visit nursing services (annual)	14,590	17,913	18,847	17,291
Numbers relating to private brands				
Percentage of private brand sales (%)	8.3	8.6	9.6	9.9
Percentage of eco-friendly private brand products (%) ^{*4}		10.2	12.2	14.4
Numbers relating to the supply chain				
Number of private brand contract manufacturers that conducted plant checks (cumulative)	3	11	51	113

^{*1}: This indicates the number for the entire SUGI Pharmacy Group. (The non-financial information shown on this page does not include numbers of Nihondo and Hikari Pharma.) ^{*2}: This is the number since the revamp of the app in October 2018. ^{*3}: Percentage of drugs that require special management (narcotics, raw materials for stimulants, psychotropic drugs, and toxic substances) to the prescription dispensing of all drugs. ^{*4}: Percentage of eco-friendly products to all private brand products.

	FY 2020	FY 2021	FY 2022	FY 2023
Numbers relating to contribution to the enhancement of community safety and security (cumulative)				
Total number of agreements	60	75	84	100
Comprehensive agreements	13	19	26	39
Watching-over agreements	10	10	11	11
Disaster risk reduction agreements	34	38	39	42
Agreements on the environment, etc.	3	8	8	8
Total number of AEDs donated to facilities for senior citizens	182	217	255	298
Total number of stores where AEDs are installed	130	180	231	282
Total number of first-aid kits donated to local governments, etc.	962	962	1,068	1,744
Numbers relating to employees				
Number of full-time employees*1	6,710	7,308	7,727	8,724
Men*1	3,540	3,804	4,016	4,546
Women*1	3,170	3,504	3,711	4,178
Percentage of women (%)*1	47.2	47.9	48.0	47.8
Employees working in Japan*1	-	-	7,727	8,724
Number of partner employees (converted into the number of 8-hour workers)*1	11,467	11,770	11,692	12,990
Percentage of partner employees (converted into the number of 8-hour workers) (%)*1	63.1	61.7	60.2	59.8
Number of new graduates hired	695	727	533	372
Men	234	245	176	157
Women	461	482	357	215
Number of mid-career hires	227	402	389	983
Men	121	213	207	470
Women	106	189	182	513
Number of pharmacists	3,025	3,390	3,688	4,021
Number of registered pharmaceutical distributors	8,527	9,704	9,019	10,029
Number of registered dietitians	466	498	501	468
Number of nurses	-	87	105	113
Number of beauty advisors	1,208	1,214	1,268	1,222
Average annual salary of full-time employees (thousand yen)	-	5,259	5,391	5,412
Men	-	5,947	5,894	5,982
Women	-	4,283	4,782	4,733
Numbers relating to human resource development				
Number of participants enrolled in dementia supporter courses	10,213	10,284	11,239	12,578
Training costs for full-time employees (million yen)	354	307	652	500
Compliance training attendance ratio (%)	100.0	100.0	100.0	100.0

*1: This indicates the number for the entire SUGI Pharmacy Group. (The non-financial information shown on this page does not include numbers of Nihondo and Hikari Pharma.)

	FY 2020	FY 2021	FY 2022	FY 2023
Numbers relating to diversity and work style				
Number of managers	2,005	2,126	2,169	2,321
Men	1,692	1,768	1,854	2,020
Women	313	358	315	301
Percentage of female managers (%)	15.6	16.8	14.5	13.0
Number of regional full-time employees	-	-	4,099	4,605
Number of employees with foreign nationality	472	454	433	566
Number of employees with disabilities	370	411	440	508
Percentage of employees with disabilities (%)	2.36	2.43	2.58	2.80
Number of employees who took parenting leave	697	805	448	525
Men	46	84	79	107
Women	651	721	369	418
Percentage of employees who took parenting leave (%)	-	-	86.6	84.6
Men	27.9	43.6	53.0	55.7
Women	-	-	100.0	97.4
Number of employees who worked reduced working hours for childcare	368	508	603	660
Men	10	18	15	29
Women	358	490	588	631
Percentage of those returning to work after parenting leave (%)	93.7	97.7	95.2	98.7
Men	100.0	100.0	100.0	98.9
Women	92.6	97.9	94.7	98.6
Number of employees who took nursing care leave	12	13	16	29
Men	0	1	1	3
Women	12	12	15	26
Number of full-time employees re-employed after mandatory retirement	27	21	32	9
Percentage of full-time employees re-employed after mandatory retirement (%)	93.1	90.5	90.6	100.0
Employee engagement (P)	-	-	3.1	3.2
Numbers relating to safety and health				
Regular health checkup rate (%)	99.6	95.3	99.0	99.6
Percentage of smokers (%)	15.2	12.0	12.3	11.2
Percentage of specified health guidance completed (%)	82.2	57.9	40.1	28.4
Number of employees who took leave due to a mental health problem	-	-	170	166
Number of employees who returned	-	-	68	54
Number of employees who left	-	-	51	57
Percentage of employees getting enough sleep (health checkup results) (%)	-	65.8	65.3	65.6
Number of occupational injury incidents	308	282	235	267
Number of occupational injury incidents (at work)	205	238	187	209
Number of occupational injury incidents (during commutation)	103	44	48	58
Number of fatal occupational injury incidents	0	0	0	0

The non-financial information shown on this page does not include numbers of Nihondo and Hikari Pharma.

	FY 2020	FY 2021	FY 2022	FY 2023
Numbers relating to the environment^{*1}				
Number of plastic bags used (million bags)	144	43	65	102
Tonnage of plastic bags used (t)	1,100	328	507	800
Water consumption (m ³)	-	-	755,045	
CO ₂ emissions - Scope 1 (t-CO ₂)	1,729	1,832	2,025	To be calculated
CO ₂ emissions - Scope 2 (t-CO ₂)	109,080	148,101	122,992	To be calculated
CO ₂ emissions - Scope 3 (t-CO ₂)	1,669,962	1,700,421	1,715,396	To be calculated
Electric power consumption (thousand kWh)	279,619	307,889	314,266	To be calculated
Renewable energy consumption (thousand kWh)	-	-	3,117	4,169
Gasoline consumption of company cars (liters)	375,300	405,420	427,679	427,142
Number of stores with LED lighting	1,353	1,454	1,552	1,704
Percentage of stores with LED lighting (%)	97.0	98.0	99.0	99.2
Prescription drugs waste ratio (%)	-	0.41	0.41	0.34
Food waste ratio (%)	0.45	0.41	0.41	0.36
Return ratio (%)	-	2.2	1.8	1.7
Numbers relating to governance, risk and compliance				
Number of Board of Directors meetings held	12	12	12	12
Number of Risk Committee meetings held	58	31	33	31
Number of Board of Auditors meetings held	12	12	14	13
Number of Directors	7	6	5	5
Men	5	4	4	4
Women	2	2	1	1
Number of Independent External Directors	3	3	2	2
Men	1	1	1	1
Women	2	2	1	1
Percentage of Independent External Directors (%)	42.9	50.0	40.0	40.0
Percentage of female Directors (%)	28.6	33.3	20.0	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"	832	1,254	1,585	1,483
Number of occurrences of human rights issues	-	-	-	-
Number of complaints	7,229	5,463	4,437	3,372

^{*1}: This does not include numbers of Nihondo and Hikari Pharma.

Consolidated Balance Sheet

	(Million yen)	
	As of the end of FY 2022 (Feb. 28, 2023)	As of the end of FY 2023 (Feb. 29, 2024)
Assets		
Current assets		
Cash and deposits	62,642	43,427
Accounts receivable – trade	37,514	44,376
Securities	8,000	4,000
Inventory	74,503	83,679
Others	17,324	23,563
Allowance for doubtful accounts	-0	-0
Total current assets	199,984	199,046
Non-current assets		
Property, plant and equipment		
Buildings and structures	120,771	134,744
Accumulated depreciation	-52,261	-58,895
Buildings and structures (net)	68,510	75,849
Land	8,583	12,006
Construction in progress	2,001	4,316
Others	45,425	53,086
Accumulated depreciation	-32,608	-37,396
Others (net)	12,817	15,690
Total property, plant and equipment	91,913	107,863
Intangible assets	8,121	10,355
Investments and other assets		
Investment securities	5,195	14,995
Shares of subsidiaries and associates	263	5,929
Long-term loans receivable	5	5
Deferred tax assets	14,669	17,312
Guarantee deposits	28,902	31,373
Others	2,868	3,708
Allowance for doubtful accounts	-27	-27
Total investments and other assets	51,876	73,297
Total non-current assets	151,911	191,517
Total Assets	351,895	390,563

	(Million yen)	
	As of the end of FY 2022 (Feb. 28, 2023)	As of the end of FY 2023 (Feb. 29, 2024)
Liabilities		
Current liabilities		
Accounts payable – trade	77,038	90,621
Current portion of long-term borrowings	-	316
Income taxes payable	4,981	7,149
Contract liabilities	18,059	17,278
Provision for bonuses	1,488	2,970
Others	15,446	18,312
Total current liabilities	117,015	136,648
Non-current liabilities		
Long-term borrowings	-	521
Retirement benefit liability	8,282	9,333
Asset retirement obligations	7,063	7,571
Others	2,995	3,126
Total non-current liabilities	18,341	20,552
Total Liabilities	135,356	157,200
Net Assets		
Shareholders' equity		
Capital	15,434	15,434
Capital surplus	24,632	24,632
Retained earnings	194,155	211,310
Treasury shares	-18,215	-18,198
Total shareholders' equity	216,007	233,178
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	378	174
Foreign currency translation adjustment	-	4
Remeasurements of defined benefit plans	153	4
Total accumulated other comprehensive income	531	183
Total Net Assets	216,538	233,362
Total Liabilities and Net Assets	351,895	390,563

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Million yen)

Consolidated Statement of Income

	FY 2022 (Mar. 1, 2022 to Feb. 28, 2023)	FY 2023 (Mar. 1, 2023 to Feb. 29, 2024)
Net sales	667,647	744,477
Cost of sales	465,123	515,639
Gross profit	202,524	228,837
Selling, general and administrative expenses		
Salaries, allowances and bonuses	69,898	76,652
Provision for bonuses	1,463	2,878
Retirement benefit expenses	1,439	1,646
Rent expenses	34,687	37,770
Others	63,377	73,267
Total selling, general and administrative expenses	170,865	192,215
Operating income	31,658	36,622
Non-operating income		
Interest income	160	602
Dividend income	2	16
Gain on donation of non-current assets	312	634
Rental income	1,934	2,027
Others	572	499
Total non-operating income	2,982	3,780
Non-operating expenses		
Interest expenses	16	15
Rental costs	1,675	1,759
Loss on retirement of non-current assets	230	307
Others	325	280
Total non-operating expenses	2,249	2,363
Ordinary income	32,391	38,039
Extraordinary income		
Gain on sale of non-current assets	1,002	-
Total extraordinary income	1,002	-
Extraordinary losses		
Impairment loss	5,208	4,964
Loss on valuation of investment securities	-	972
Total extraordinary losses	5,208	5,936
Profit before income taxes	28,184	32,102
Income taxes – current	10,587	12,592
Income taxes – deferred	-1,409	-2,469
Total income taxes	9,177	10,122
Net income	19,007	21,979
Profit attributable to owners of parent	19,007	21,979

Consolidated Statement of Comprehensive Income

(Million yen)

	FY 2022 (Mar. 1, 2022 to Feb. 28, 2023)	FY 2023 (Mar. 1, 2023 to Feb. 29, 2024)
Net income	19,007	21,979
Other comprehensive income		
Valuation difference on available-for-sale securities	-686	-203
Foreign currency translation adjustment	-	4
Remeasurements of defined benefit plans	522	-148
Total other comprehensive income	-164	-347
Comprehensive income	18,842	21,632
(Breakdown)		
Comprehensive income attributable to owners of parent	18,842	21,632

Consolidated Statement of Cash Flows

(Million yen)

	FY 2022 (Mar. 1, 2022 to Feb. 28, 2023)	FY 2023 (Mar. 1, 2023 to Feb. 29, 2024)
Net cash provided by (used in) operating activities		
Profit before income taxes	28,184	32,102
Depreciation	12,362	14,121
Impairment loss	5,208	4,964
Increase (decrease) in provision for bonuses	-411	1,431
Increase (decrease) in retirement benefit liability	904	825
Increase (decrease) in allowance for doubtful accounts	-0	-0
Interest and dividend income	-163	-618
Loss (gain) on valuation of investment securities	-	972
Gain on donation of non-current assets	-164	-248
Interest expenses	16	15
Loss (gain) on sale of non-current assets	-1,002	-
Loss on retirement of non-current assets	6	22
Decrease (increase) in trade receivables	-3,922	-6,577
Decrease (increase) in inventories	-2,901	-9,170
Increase (decrease) in trade payables	5,976	13,461
Increase (decrease) in contract liabilities	794	-780
Others	545	-788
Sub-total	45,434	49,732
Interest and dividends received	94	95
Interest paid	-14	-13
Income taxes paid	-7,234	-10,772
Net cash provided by (used in) operating activities	38,279	39,041
Net cash provided by (used in) investing activities		
Payments into time deposits	-79,020	-43,000
Proceeds from withdrawal of time deposits	81,000	64,000
Purchase of securities	-26,000	-20,000
Proceeds from redemption of securities	26,000	25,000
Purchase of property, plant and equipment	-18,192	-30,836
Proceeds from sale of property, plant and equipment	1,273	2
Purchase of intangible assets	-3,320	-1,864
Purchase of investment securities	-2,207	-10,626
Purchase of shares of subsidiaries and associates	-	-5,696
Payments of guarantee deposits	-2,707	-4,013
Proceeds from refund of guarantee deposits	317	238
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-2,773
Others	-399	-1,406
Net cash provided by (used in) investing activities	-23,256	-30,976
Net cash provided by (used in) financing activities		
Purchase of treasury shares	-8,931	-0
Repayments of finance lease obligations	-365	-382
Dividends paid	-4,912	-4,825
Others	-0	-75
Net cash provided by (used in) financing activities	-14,209	-5,284
Effect of exchange rate change on cash and cash equivalents	-22	3
Net increase (decrease) in cash and cash equivalents	790	2,784
Cash and cash equivalents at beginning of period	33,831	34,622
Cash and cash equivalents at end of period	34,622	37,406

Stock Information

(As of February 29, 2024)

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: 35,349

Major shareholders (top 10)

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Sugi Shoji Co., Ltd.	22,577	37.42
The Master Trust Bank of Japan (trust account)	6,615	10.96
Sugi Asset LLC	3,019	5.00
CEP LUX – ORBIS SICAV	2,203	3.65
STATE STREET BANK AND TRUST COMPANY 505223	1,889	3.13
Custody Bank of Japan, Ltd. (trust account)	1,772	2.93
Tsuruha Co., Ltd.	1,272	2.10
THE BANK OF NEW YORK MELLON 140051	1,118	1.85
STATE STREET BANK AND TRUST COMPANY 505103	843	1.39
MSIP CLIENT SECURITIES	648	1.07

Notes: 1. The Company holds 3,011,460 shares as treasury stock, but it is excluded from the list of major shareholders above.

2. Shareholding ratio is calculated after deducting treasury stock.

Corporate Profile

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: 8,724 (on a consolidated basis) Number of partner employees: 12,990* * Number of partner employees converted into the number of 8-hour workers
Major operations:	Business management of the entire Sugi Pharmacy Group
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
Officers	(as of May 22, 2024) Representative Director & Chairman: Eiichi Sakakibara Representative Director & President: Katsunori Sugiura Director & Senior Vice President: Shinya Sugiura External Director: Shigeyuki Kamino External Director: Shiro Uchida External Director: Hideaki Takaishi External Director: Kaseri Oura External Full-time Auditor: Toshihiko Sakamoto External Full-time Auditor: Toshiaki Shimura External Auditor: Kana Yasuda Auditor: Yoshiko Hayama

Editorial Policy

The Integrated Report 2024 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.

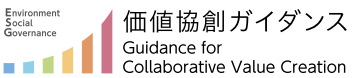
Coverage Period

March 1, 2023 – February 29, 2024

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 2024 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.