

---

FY3/22

# Results Briefing Presentation

---

May 13, 2022

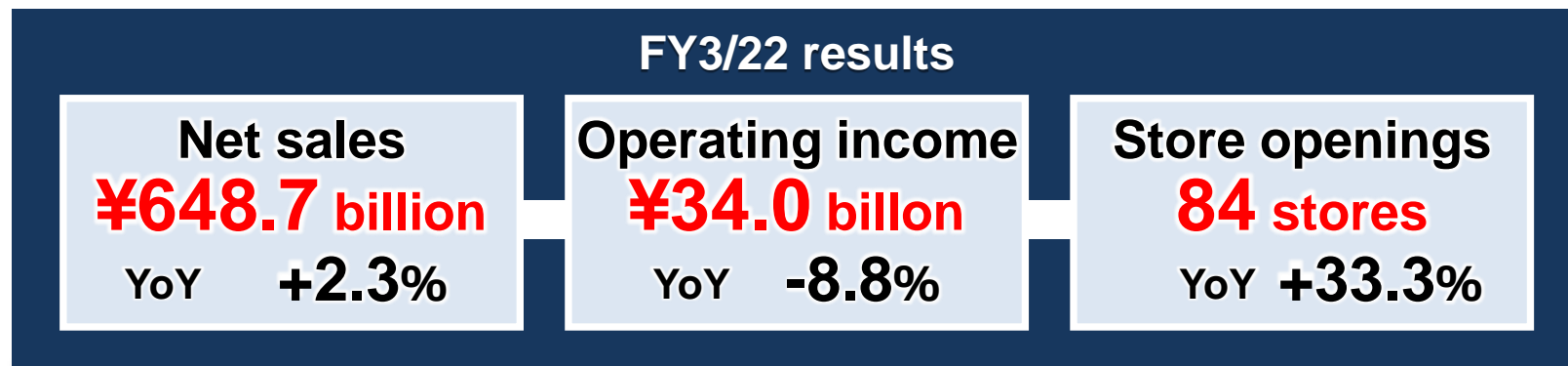


- **FY3/22 Results Summary**
- **FY3/23 Full-Year Guidance**
- **Management Issues and Medium-term Business Plan**

# FY3/22 Results Summary

---





- Impact of pullback from COVID-19 / stay-at-home demand
- Performance at station front-type stores remained weak
- 84 stores opened – new record

# Consolidated Income Statement

(millions of yen)

	FY3/21		FY3/22						Reference: Previous reporting basis		
	Results	Breakdown	Results	Breakdown	YoY change	Vs. guidance	Guidance	Breakdown	Results	Breakdown	YoY change
									Results	Breakdown	YoY change
<b>Net sales</b>	634,310	100.0%	<b>648,734</b>	<b>100.0%</b>	<b>2.3%</b>	<b>-1.2%</b>	656,600	100.0%	<b>656,759</b>	<b>100.0%</b>	<b>3.5%</b>
<b>Gross profit</b>	158,550	25.0%	<b>156,506</b>	<b>24.1%</b>	<b>-1.3%</b>	<b>-1.8%</b>	159,330	24.3%	<b>164,218</b>	<b>25.0%</b>	<b>3.6%</b>
SG&A expenses	121,204	19.1%	<b>122,454</b>	<b>18.9%</b>	<b>1.0%</b>	<b>-0.1%</b>	122,530	18.7%	<b>130,249</b>	<b>19.8%</b>	<b>7.5%</b>
Labor cost	51,824	8.2%	<b>53,884</b>	<b>8.3%</b>	<b>4.0%</b>	<b>-0.4%</b>	54,100	8.2%	<b>53,884</b>	<b>8.2%</b>	<b>4.0%</b>
Selling cost	11,327	1.8%	<b>4,416</b>	<b>0.7%</b>	<b>-61.0%</b>	<b>-2.3%</b>	4,520	0.7%	<b>12,210</b>	<b>1.9%</b>	<b>7.8%</b>
Administrative expenses	58,051	9.2%	<b>64,154</b>	<b>9.9%</b>	<b>10.5%</b>	<b>0.4%</b>	63,910	9.7%	<b>64,154</b>	<b>9.8%</b>	<b>10.5%</b>
<b>Operating income</b>	37,345	5.9%	<b>34,052</b>	<b>5.2%</b>	<b>-8.8%</b>	<b>-7.5%</b>	36,800	5.6%	<b>33,968</b>	<b>5.2%</b>	<b>-9.0%</b>
<b>Ordinary income</b>	38,228	6.0%	<b>34,734</b>	<b>5.4%</b>	<b>-9.1%</b>	<b>-7.1%</b>	37,400	5.7%	<b>34,651</b>	<b>5.3%</b>	<b>-9.4%</b>
<b>Net income</b>	25,329	4.0%	<b>23,853</b>	<b>3.7%</b>	<b>-5.8%</b>	<b>-7.2%</b>	25,700	3.9%			

## Overview

- Net sales: Impacted by pullback from pandemic-related demand
- Gross profit: Larger-than-expected pullback for infection prevention products (alcohol disinfectant, hand soap, etc.)
- SG&A expenses: Administrative expenses higher YoY due to systematic implementation of aggressive store opening / major store refurbishment program  
Increase in electricity rates amid rise in crude oil price

# Consolidated Income Statement By Business

(millions of yen)

Drugstore business	FY3/21		FY3/22								
	Results	Breakdown	Results	Breakdown	YoY change	Vs. guidance	Guidance	Breakdown	Reference: Previous reporting basis		
									Results	Breakdown	YoY change
Net sales	422,251	100.0%	424,825	100.0%	0.6%	-1.7%	432,140	100.0%	431,981	100.0%	2.3%
Gross profit	114,406	27.1%	110,051	25.9%	-3.8%	-2.3%	112,650	26.1%	116,924	27.1%	2.2%
SG&A expenses	89,362	21.2%	88,373	20.8%	-1.1%	-0.2%	88,570	20.5%	95,321	22.1%	6.7%
Operating income	25,043	5.9%	21,677	5.1%	-13.4%	-10.0%	24,080	5.6%	21,603	5.0%	-13.7%
Ordinary income	25,801	6.1%	22,271	5.2%	-13.7%	-9.5%	24,600	5.7%	22,197	5.1%	-14.0%

## Overview

- Suburban-type ⇒ Pullback from surge in demand in FY3/21
- Station front-type ⇒ Continued absence of inbound demand

(millions of yen)

Discount store business	FY3/21		FY3/22								
	Results	Breakdown	Results	Breakdown	YoY change	Vs. guidance	Guidance	Breakdown	Reference: Previous reporting basis		
									Results	Breakdown	YoY change
Net sales	255,714	100.0%	269,885	100.0%	5.5%	-0.3%	270,800	100.0%	270,752	100.0%	5.9%
Gross profit	44,321	17.3%	46,642	17.3%	5.2%	-0.5%	46,870	17.3%	47,480	17.5%	7.1%
SG&A expenses	32,009	12.5%	34,268	12.7%	7.1%	0.3%	34,150	12.6%	35,115	13.0%	9.7%
Operating income	12,312	4.8%	12,374	4.6%	0.5%	-2.7%	12,720	4.7%	12,365	4.6%	0.4%
Ordinary income	12,437	4.9%	12,463	4.6%	0.2%	-2.6%	12,800	4.7%	12,454	4.6%	0.1%

## Overview

- Net sales / profits slightly below guidance, but increased YoY

## ■ Target achieved on increase in openings of free-standing suburban-type stores

	FY3/20		FY3/21		FY3/22			
	Net increase	No. of stores	Net increase	No. of stores			Net increase	No. of stores
					Openings	Closures		
<b>Drugstore business</b>	+6	876	+27	903	60	- 17	+43	<b>946</b>
<b>Discount store business</b>	+15	292	+21	313	24	- 2	+22	<b>335</b>
<b>Total</b>	+21	1,168	+48	1,216	<b>84</b>	<b>- 19</b>	<b>+65</b>	<b>1,281</b>

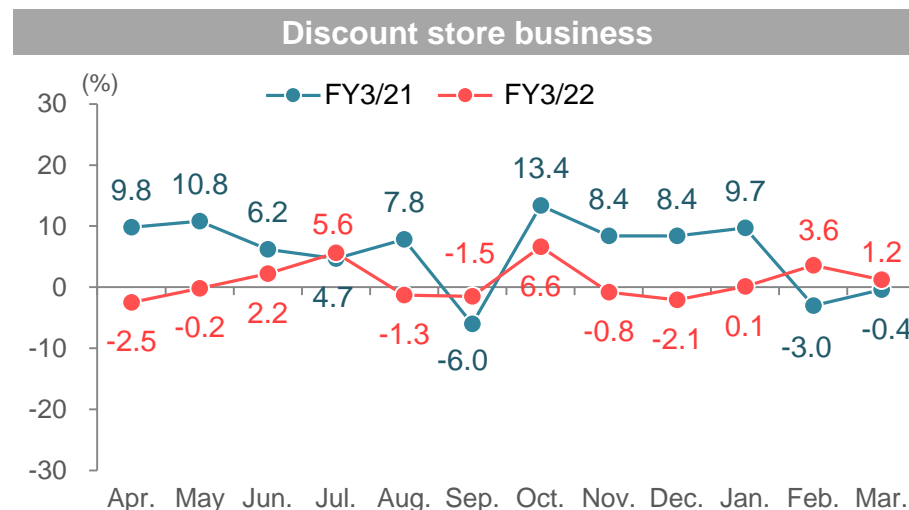
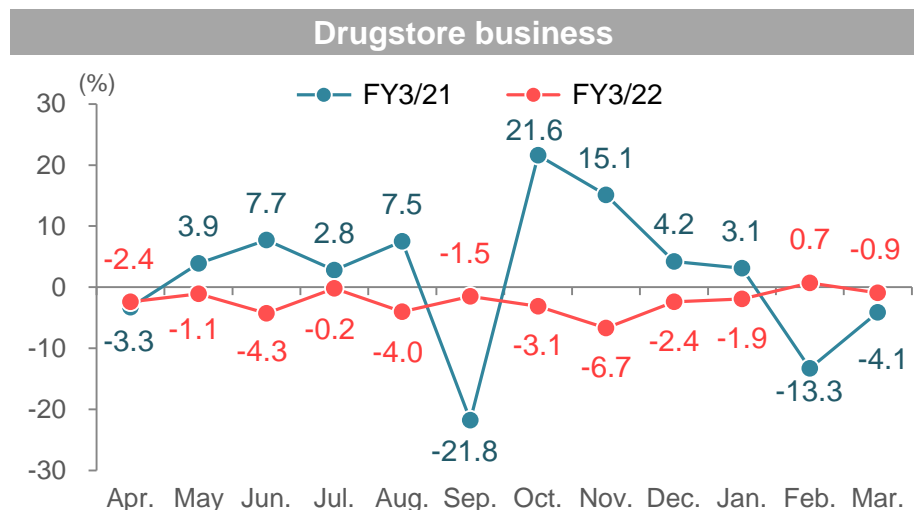
【By area】	FY3/20		FY3/21		FY3/22			
	Net increase	No. of stores	Net increase	No. of stores			Net increase	No. of stores
					Openings	Closures		
<b>Hokkaido, Tohoku</b>	+6	109	+5	114	10	-	+10	<b>124</b>
<b>Kanto</b>	+9	395	+13	408	23	- 5	+18	<b>426</b>
<b>Shinetsu, Hokuriku</b>	+0	77	+5	82	6	- 3	+3	<b>85</b>
<b>Tokai</b>	- 4	82	+2	84	8	- 3	+5	<b>89</b>
<b>Kinki</b>	+3	118	+8	126	14	- 2	+12	<b>138</b>
<b>Chugoku, Shikoku</b>	+4	143	+5	149	13	- 3	+10	<b>159</b>
<b>Kyusyu, Okinawa</b>	+3	244	+10	253	10	- 3	+7	<b>260</b>

■ **Group total Plan: 84 stores → Actual: 84 stores**

【Drugstore business】 Plan: 59 stores → **Actual: 60 stores**    【Discount store business】 Plan: 25 stores → **Actual: 24 stores**

## ■ Impact of pullback from COVID-19 / stay-at-home demand

### Same-store sales growth by business (YoY)



- FY3/21 Sep → Pullback from rise in special demand in previous year ahead of consumption tax hike
- FY3/21 Oct → Rebound from drop in demand in previous year after consumption tax hike
- FY3/21 Feb → Impact from leap year in Feb FY3/20 as well as increase in demand in previous year due to COVID-19

#### Existing drugstore trends

**Full-year -2.3% < station front-type +1.0% suburban type -3.4% >**

- Pullback in demand for COVID-19 infection prevention products
- Station front-type: Sales still weak, but higher YoY on fading impact from drop in demand for cosmetics caused by consumers staying home and absence of inbound demand
- Suburban-type: Impact from pullback in stay-at-home demand for food and daily necessities, etc.

#### Existing discount store trends

**Full-year +0.8%**

- Impact from pullback in stay-at-home demand for consumer electronics, etc.
- Strong demand for food products



## ■ Impact from pullback in demand for infection prevention products / food products and stay-at-home demand

(millions of yen)

Drugstore business	FY3/21			FY3/22			Reference: Previous reporting basis		
	Results	Breakdown	Results	Breakdown	YoY change	Results	Breakdown	YoY change	
Health care	128,788	30.5%	126,553	29.8%	-1.7%	128,097	29.7%	-0.5%	
Consumables	88,927	21.1%	90,142	21.2%	1.4%	91,246	21.1%	2.6%	
Beauty care	126,168	29.9%	131,590	31.0%	4.3%	134,816	31.2%	6.9%	
Food	59,477	14.1%	58,511	13.8%	-1.6%	59,322	13.7%	-0.3%	
Other	18,890	4.5%	18,026	4.2%	-4.6%	18,498	4.3%	-2.1%	
<b>Total</b>	<b>422,251</b>	<b>100.0%</b>	<b>424,825</b>	<b>100.0%</b>	<b>0.6%</b>	<b>431,981</b>	<b>100.0%</b>	<b>2.3%</b>	

(millions of yen)

Discount store business	FY3/21			FY3/22			Reference: Previous reporting basis		
	Results	Breakdown	Results	Breakdown	YoY change	Results	Breakdown	YoY change	
Health & Beauty	54,626	21.4%	58,564	21.7%	7.2%	58,776	21.7%	7.6%	
Food	165,790	64.8%	176,371	65.4%	6.4%	176,885	65.3%	6.7%	
Other	35,297	13.8%	34,949	12.9%	-1.0%	35,091	13.0%	-0.6%	
<b>Total</b>	<b>255,714</b>	<b>100.0%</b>	<b>269,885</b>	<b>100.0%</b>	<b>5.5%</b>	<b>270,752</b>	<b>100.0%</b>	<b>5.9%</b>	

# Consolidated Balance Sheet

FY3/21 (millions of yen)

FY3/22 (millions of yen)

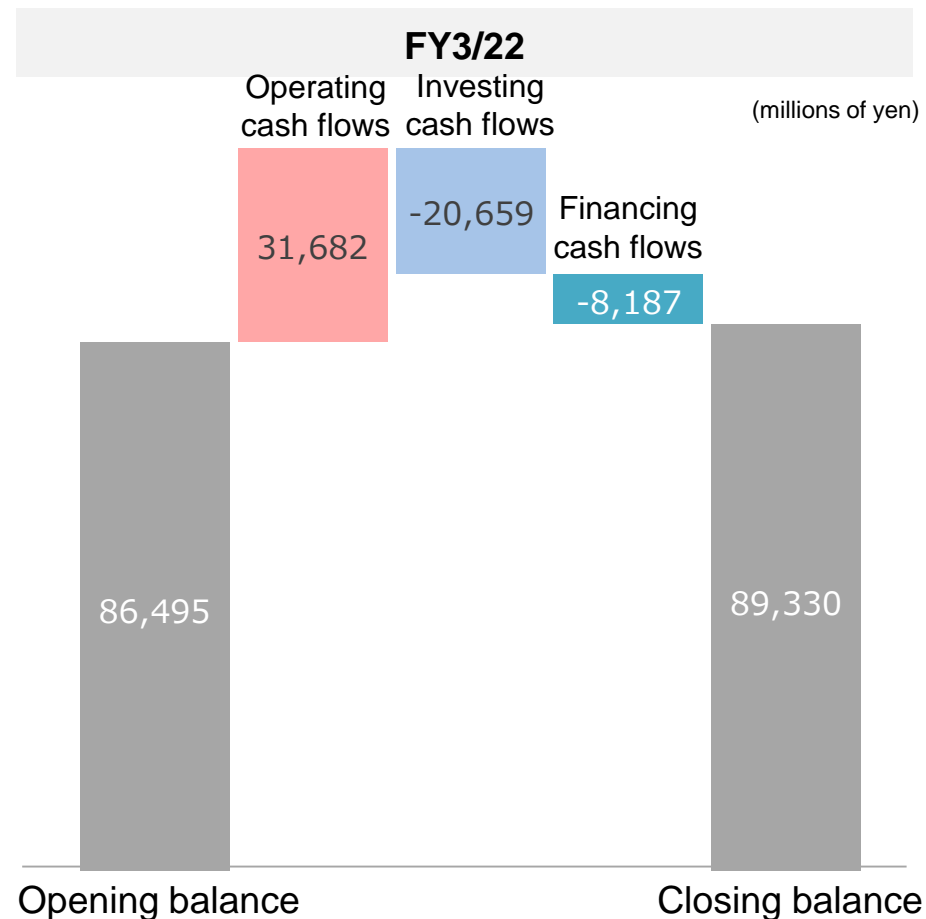
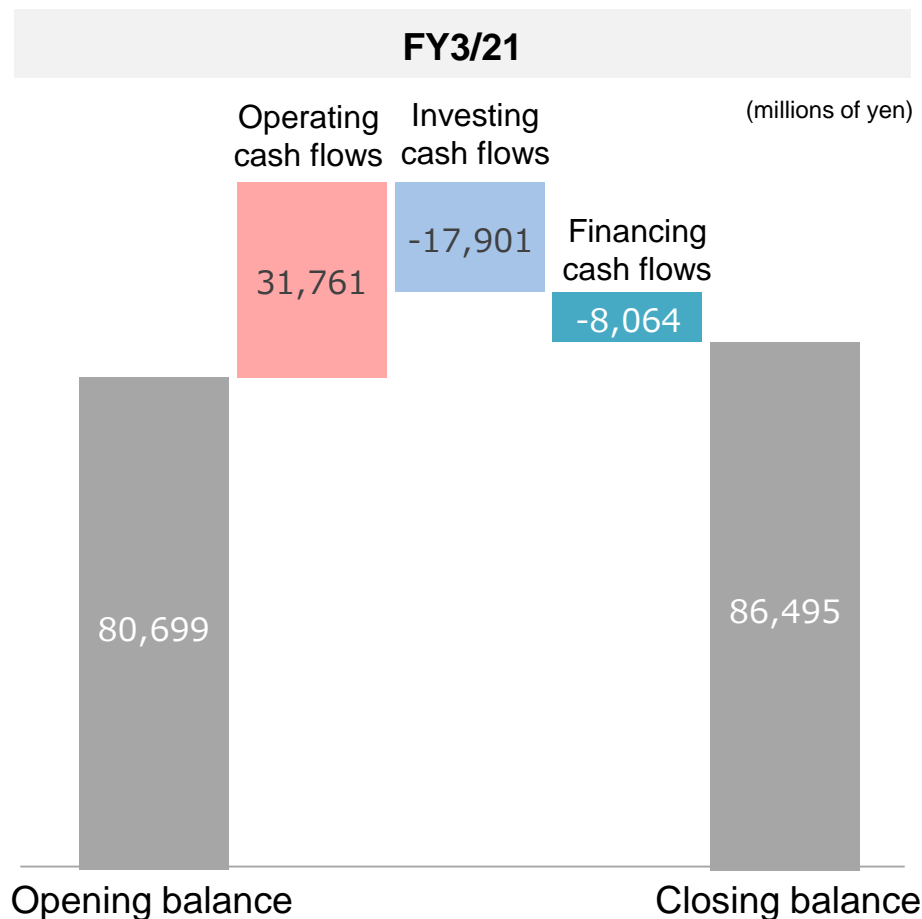
(millions of yen)

<b>Total assets: 308,528</b> (Equity ratio 66.5%)	
Current assets	Liabilities
<b>194,262</b> (+13,075)	<b>103,371</b> (+5,917)
Long-term assets	Net assets
<b>114,265</b> (+11,176)	<b>205,156</b> (+18,334)

<b>Total assets: 325,768</b> (Equity ratio 67.7%)	
Current assets	Liabilities
<b>199,537</b> (+5,275)	<b>105,175</b> (+1,803)
Long-term assets	Net assets
<b>126,230</b> (+11,965)	<b>220,592</b> (+15,436)

<b>Current assets</b>	<b>+5,275</b>
Cash and cash equivalents	+2,835
Accounts receivable	+693
Inventories	+51
Others	+1,694
<b>Long-term assets</b>	<b>+11,965</b>
Tangible fixed assets	+10,685
Intangible fixed assets	+650
Investments and others	+629
<b>Current liabilities</b>	<b>+928</b>
Accounts payable	+1,731
Point cost allowance	-3,914
Contract liability	+4,301
Others	-1,190
<b>Long-term liabilities</b>	<b>+875</b>
<b>Shareholder's equity</b>	<b>+15,191</b>

# Consolidated Cash Flows



■ Capital investment	<b>19,141</b>
■ Depreciation and amortization	<b>8,663</b>

■ Capital investment	<b>23,883</b>
■ Depreciation and amortization	<b>10,209</b>

# FY3/23 Full-Year Guidance

---



# FY3/23 Guidance (Consolidated)

## ■ Full-year guidance ⇒ Net sales ¥693.6 billion, operating income ¥35.4 billion

(millions of yen)

	Consolidated			Drugstore business			Discount store business		
	Guidance	Breakdown	YoY change	Guidance	Breakdown	YoY change	Guidance	Breakdown	YoY change
<b>Net sales</b>	<b>693,600</b>	100.0%	6.8%	<b>452,000</b>	100.0%	6.4%	<b>290,700</b>	100.0%	7.7%
<b>Gross profit</b>	<b>168,400</b>	24.3%	7.6%	<b>118,500</b>	26.2%	7.7%	<b>50,150</b>	17.3%	7.5%
<b>SG&amp;A expenses</b>	<b>133,000</b>	19.2%	8.6%	<b>95,700</b>	21.2%	8.3%	<b>37,550</b>	12.9%	9.6%
<b>Operating income</b>	<b>35,400</b>	5.1%	4.0%	<b>22,800</b>	5.0%	5.2%	<b>12,600</b>	4.3%	1.8%
<b>Ordinary income</b>	<b>36,000</b>	5.2%	3.6%	<b>23,350</b>	5.2%	4.8%	<b>12,650</b>	4.4%	1.5%
<b>Net income</b>	<b>24,200</b>	3.5%	1.5%	<b>15,700</b>	3.5%	1.4%	<b>8,500</b>	2.9%	1.5%

■ Earnings per share: ¥206.97

■ Depreciation and amortization: ¥11,900 million

■ Capital investment: ¥29,000 million

■ Dividends: ¥72 (interim ¥36; year-end ¥36)

### Assumptions

#### ■ Group same-store sales YoY forecast

- Drugstore business
- Discount store business

Full-year: **+0.5** ⇒ [1H -0.1, 2H +1.2]

Full-year: **+0.3** ⇒ [1H -0.8, 2H +1.5]

Full-year: **+0.8** ⇒ [1H +0.9, 2H +0.7]

**Continued negative impact from loss of inbound demand**

#### ■ Store openings: 100

• Drugstore business: 70 (including 5 franchise stores) Discount store business: 30

#### ■ Refurbishments: 108

• Drugstore business: 95 Discount store business: 13

#### ■ Closures: 15

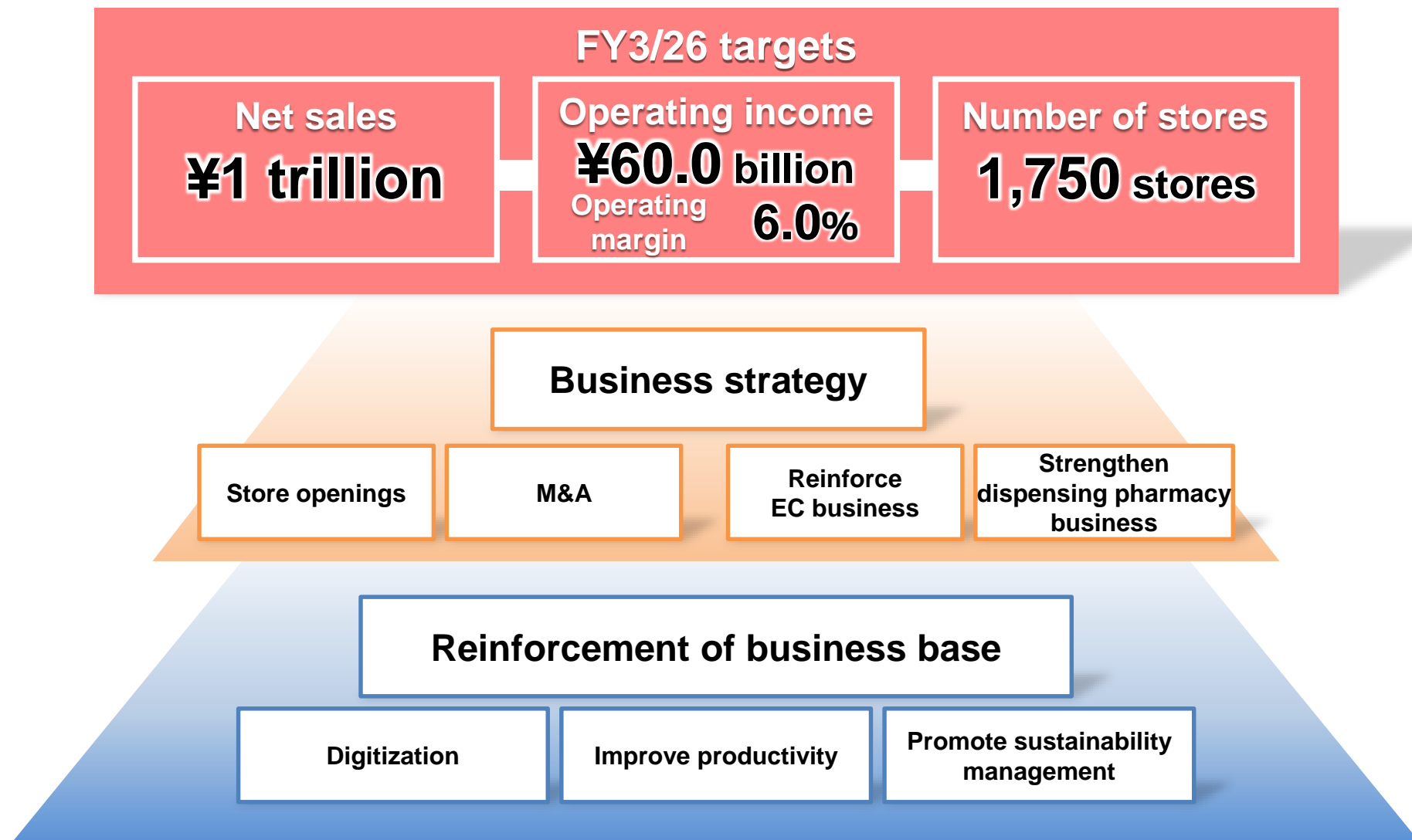
• Drugstore business: 14 Discount store business: 1

# Management Issues and Medium-term Business Plan

---



## Targeting consolidated net sales of ¥1 trillion



## ■ Combine formats to cover different sales channels, areas and customer segments

Extend trading areas

Expand target customer segments

Combine retail formats

Suburban locations

Station front locations

Free-standing store

Local shopping areas

Neighborhood shopping center

Drugstore business

Downtown shopping areas

Dispensing pharmacy business

Discount store business

EC digital business





## ■ Increase number of store openings

### Store development tasks

Drugstore business

Initiatives to further expand chain

Discount store business

Accelerate store openings in East Japan  
Develop new areas

### Response measures

#### ■ Strengthen property information gathering capabilities

Expand store development team  
37 staff as of March 31, 2021  
41 staff as of March 31, 2022  
53 staff as of March 31, 2023 (plan)

#### ■ Open more suburban-type stores

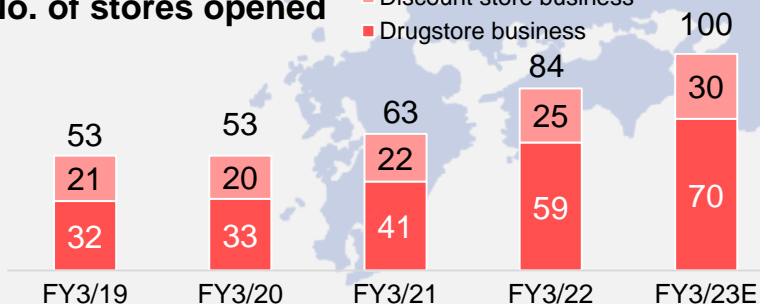
Increase openings of free-standing stores  
14 stores as of March 31, 2021  
30 stores as of March 31, 2022  
35 stores as of March 31, 2023 (plan)

#### ■ Deploy staff to East Japan

Open stores in East Japan  
4 stores as of March 31, 2021  
7 stores as of March 31, 2022  
9 stores as of March 31, 2023 (plan)  
\*Expected total of 38 stores

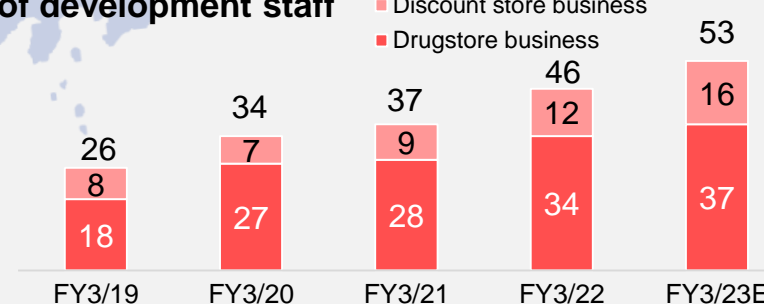
No. of stores opened

■ Discount store business  
■ Drugstore business



No. of development staff

■ Discount store business  
■ Drugstore business



## Active in various sales channels

### Reinforce e-commerce sales

#### Offer more products online / expand sales channels

- Increase number of products
- Dec 2021...Store opened in JRE Mall
- Sep 2021...Sales agent outlet opened in Bibian online site
- Store opening planned for LAZADA

#### Expand in-store pickup service

- Extend to Hokkaido, Kyushu, Tohoku areas
- Launch Rakuten Ichiba, PayPay Mall services

#### Marketing

- Realize 1-to-1 marketing by integrating physical and virtual channels
- Develop social media presence and new channels

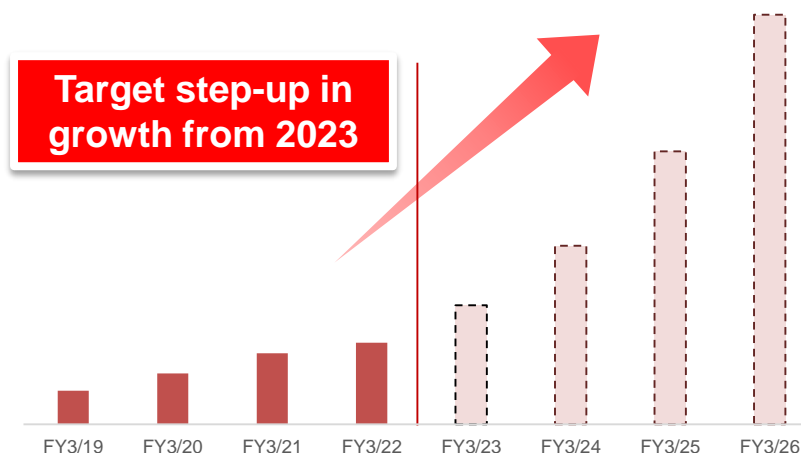
#### Improve logistics efficiency

- Yokohama / Fukuoka / Sapporo / Saitama / Sendai  
⇒ Plan to add another site for distribution in Kinki region

#### Improve customer satisfaction

- Use NPS survey to gauge customer satisfaction
- Improve website usability

E-commerce business sales ※Image



**Target step-up in growth from 2023**

#### Store locations

【Domestic sites】 Sundrug e-shop / Rakuten Ichiba / Yahoo! / amazon / au Wowma! / JRE Mall  
 【Cross-border e-commerce】 Tmall Global / Bibian

### Targeting stronger growth

Use 1-to-1 marketing  
Further broaden sales channels

Improve customer satisfaction  
Provide a seamless shopping experience

Increase productivity / reinforce organizational foundations  
Combine physical and virtual channels

## ■ Initiatives to capture dispensing demand in Japan's aging society

### Opening more dispensing pharmacies

As of March 31, 2022  
 Standalone pharmacies: 31 stores  
 Drugstore pharmacies: 84 stores

#### Dispensing results FY3/2022

【Prescription drug sales】	¥10,687 million YoY: +10.3%
【No. of prescriptions】	1,247,553 YoY: +11.8%
【Average prescription price】	¥8,567 YoY: -1.4%

#### Pharmacy Opening results FY3/22

Opened 2 standalone pharmacies and  
 11 drugstore pharmacies

FY 3/23

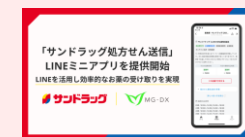
Plan to open 2 standalone pharmacies and  
 24 drugstore pharmacies

### Working to open more dispensing pharmacies

- Stepping up hiring and training to support store opening program
- Online pharmaceutical guidance  
 ⇒ Rolling out online pharmaceutical treatment guidance system
- Establishing follow-up system for pharmaceutical treatment
  - Confirm patients are taking necessary medicines
- Strengthening home healthcare initiatives  
 ⇒ value of prescription delivery demand +41.6%,  
 number of visits +35.4% YoY
  - Cultivating home healthcare pharmacists, stepping up training (internal certification system)
- Introducing LINE MINI app  
 ⇒ Improved prescription communication functionality

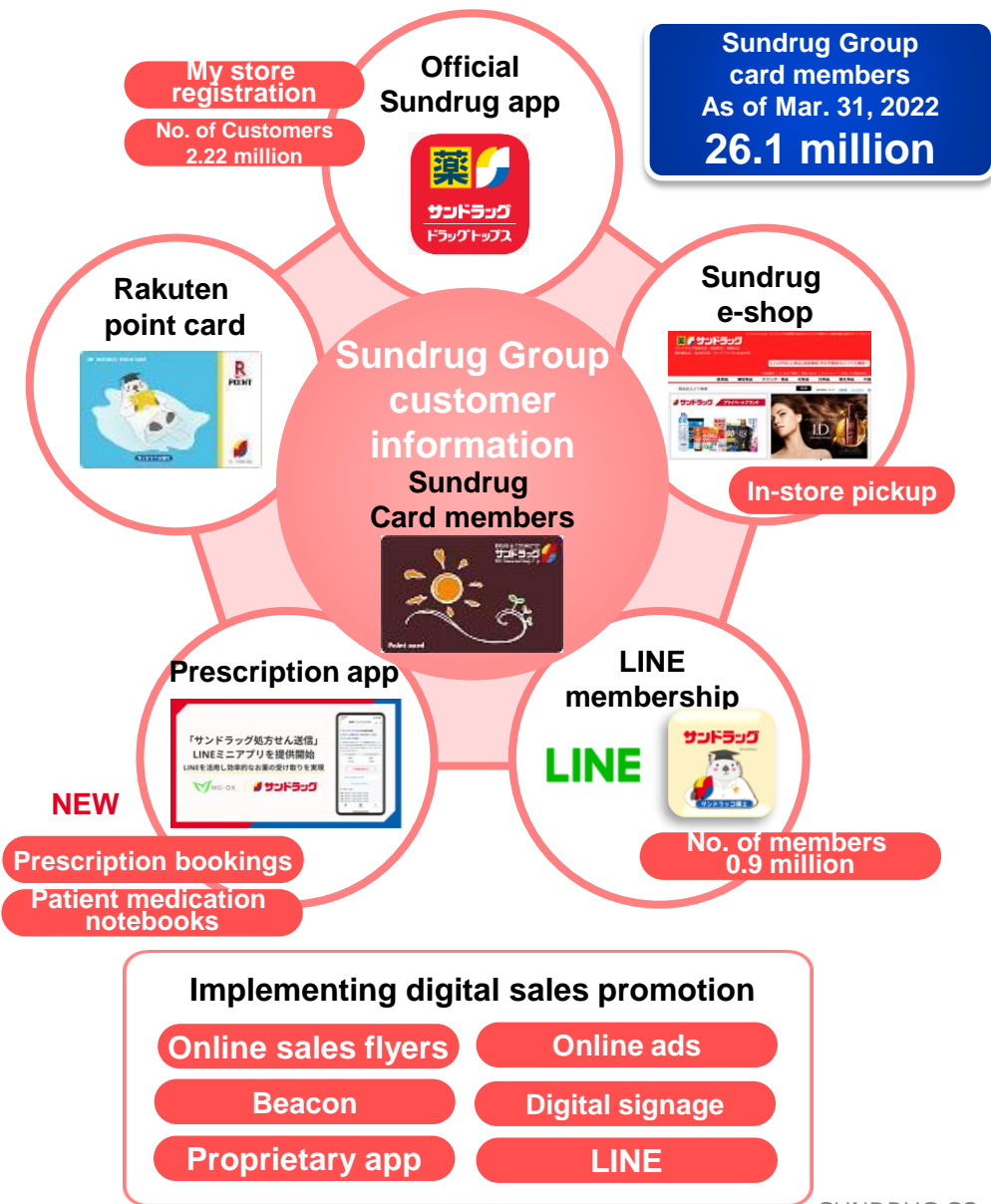


Online pharmaceutical guidance



LINE MINI app

## ■ Use customer data to increase customer loyalty

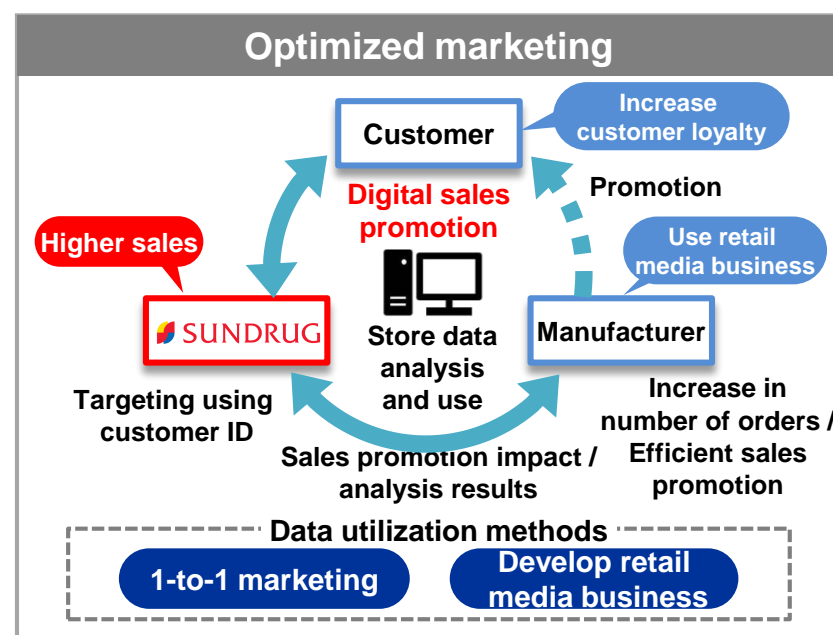


**Digital-derived sales**

Proportion of digital sales: 26.5%  
(+9.0 ppt YoY)  
※Drugstore business FY3/22 results

**Retail media business**

[No. of transactions] +75.7% YoY  
[Net sales] +314.5% YoY



## ■ Initiatives to further improve operational efficiency

Started introducing electronic shelf labelling

Gross profit +1.0% · labor cost -3.5%

- FY3/22: Introduced at 20 stores
- FY3/23: Planned introduction at 100 stores
- Capital investment: Projected total of roughly ¥25 billion

### STEP 1

⇒ Reduce in-store work such as attaching sale price tags

### STEP 2

**Add more functions that further improve productivity**

⇒ Visualize products for sell-by-date checks / improve efficiency of store operations by visualizing inventories, etc.



Self-scan system

Trial to start in FY3/23












■ **Smartphone app improves customer convenience and store productivity**

⇒ Reduces checkout wait-times and time needed to scan products at cash register

\*Promotes non-contact transactions for the new normal of living with COVID-19



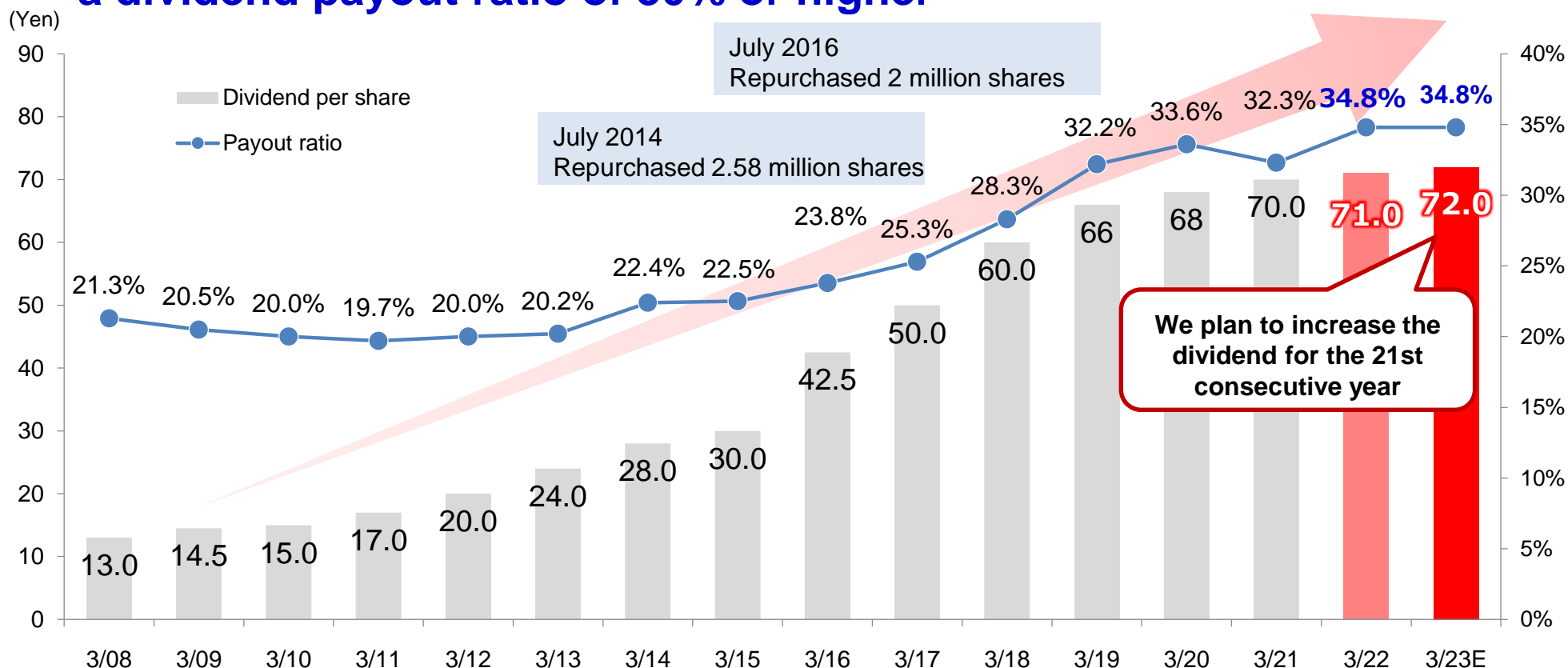
- ESG/SDG initiatives moving from design and launch phase to PDCA cycle phase
- Promote sustainability management > support progress monitoring using KPIs, coordinate with business partners, enhance ESG disclosure

	Category	Progress so far	Outlook
E	Promote environmental management   	<ul style="list-style-type: none"> <li>■ Introduced eco-friendly PB products</li> <li>■ Reduced food waste, started building recycling system</li> </ul>	<ul style="list-style-type: none"> <li>■ Introduce solar power and other renewable energy</li> <li>■ Set targets and implement measures to reduce CO<sub>2</sub> emissions with business partners</li> </ul>
S	Promote compliance management   	<ul style="list-style-type: none"> <li>■ Formulated code of conduct, human rights policy</li> <li>■ Expanded training content and opportunities</li> <li>■ Started human rights due diligence, CSR procurement</li> </ul>	<ul style="list-style-type: none"> <li>■ Promote “White Logistics”</li> <li>■ Reinforce operation of internal whistleblower system</li> <li>■ Extend human rights due diligence, CSR procurement</li> </ul>
S	Create motivating workplaces   	<ul style="list-style-type: none"> <li>■ Improved flexible work schemes (regional employee / irregular hours systems)</li> <li>■ Formulated health declaration</li> </ul>	<ul style="list-style-type: none"> <li>■ Encourage employees to take childcare leave, paid leave</li> <li>■ Empower women in the workplace (managerial positions / train candidates)</li> </ul>
S	Support healthy and prosperous lifestyles  	<ul style="list-style-type: none"> <li>■ Trained staff to help people with dementia</li> <li>■ Introduced Buy Online Pick up In Store (BOPIS) system (4 prefectures in Kanto region)</li> </ul>	<ul style="list-style-type: none"> <li>■ Work closely with local governments / comprehensive community support centers</li> <li>■ Introduce online pharmaceutical treatment guidance</li> </ul>
G	Promote governance management	<ul style="list-style-type: none"> <li>■ Disclosed non-financial data (launched new site, provided data)</li> <li>■ Conducted analysis of climate-change risk</li> </ul>	<ul style="list-style-type: none"> <li>■ Reinforce information security (policy, training, systems)</li> <li>■ Publish integrated report</li> </ul>





## ■ Dividend policy – Pay stable, continuous dividends based on a dividend payout ratio of 30% or higher



(Note) The Company conducted a 2-for-1 share split of ordinary shares on April 1, 2017  
Dividend per share is calculated assuming the share split was conducted at the start of FY3/08

**The Company will consider ways of effectively using cash on hand, taking into account required investments such as new store openings and IT systems**



#### Contact

**SUNDRUG Co., Ltd.**      **Financial Department**

**【Address】**      1-38-1 Wakamatsu-cho, Fuchu-shi, Tokyo 183-0005

**【Phone】**      042-369-6211

This document contains information on current business plans, earnings forecasts and projections that constitute forward-looking statements. These forward-looking statements have been formulated based on currently available information and may differ from actual results due to a range of factors. As such, the Company makes no commitment or guarantee that the forecasts in this document will be attained.