

TSURUHA HOLDINGS INC

TSURUHA HOLDINGS INC.

2nd Quarter of FY5/21 Financial Results Announcement

December 15, 2020

Event Summary

[Company Name]	TSURUHA HOLDINGS INC.	
[Company ID]	3391-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	2nd Quarter of FY5/21 Financial Results Announcement	
[Fiscal Period]	FY2020 Q2	
[Date]	December 15, 2020	
[Number of Pages]	33	
[Time]	15:30 – 16:32 (Total: 62 minutes, Presentation: 24 minutes, Q&A: 38 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	3	
	Jun Tsuruha	President and Representative Director
	Makoto Murakami	Executive Officer and Chief Administrative Officer
	Takuya Yamazaki	Investor Relations Manager
[Analyst Names]*	Dairo Murata	JPMorgan Securities Japan Co., Ltd.
	Mitsuru Takayanagi	USB Securities Japan Co., Ltd.
	Takashi Yanahira	Ichiyoshi Research Institute Inc.
	Sho Kawano	Goldman Sachs Japan Co., Ltd.
	Toshio Takahashi	Mizuho Securities Co., Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Yamazaki: Now, it's time to start a briefing on TSURUHA HOLDING INC.'s financial results for the second quarter of the fiscal year ending May 15, 2021.

Let me introduce today's speakers. Jun Tsuruha, President and Representative Director.

Tsuruha: Hello, everyone. This is Jun Tsuruha.

Yamazaki: Makoto Murakami, Executive Officer and Chief Administrative Officer.

Murakami: Hello, everyone. This is Makoto Murakami.

Yamazaki: I am Takuya Yamazaki, Investor Relations Manager. I am today's moderator.

At today's briefing, we will explain our financial results briefing materials while sharing them on a screen. Please also refer to the Company's financial results briefing materials, supplementary materials, and brief summary for the financial results on the Company's website.

For today's presentation, first, Murakami will explain the outline of our business performance, followed by a briefing from Tsuruha about initiatives and policies for the fiscal year under review. Thereafter, we will move on to a question-and-answer session. At the Q&A session, we will use the Raise Hand function in Zoom and have the nominated person to ask questions.

Now, we will move on to the financial results briefing. Thank you.

Murakami: This is Murakami, Chief Administrative Officer.

I would like to explain the outline of our business performance. I will explain the financial results in accordance with the briefing materials that we distributed.

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増収増益を維持

2021年5月期第2四半期累計

売上高

4,534億円 (前年比+8.9%)

営業利益高

279億円 (前年比+17.8%)

ドラッグイレブンの3か月分の実績を含む (6/1~8/31)

事業概況

- 前期消費増税前の駆け込み需要の反動減
- 新型コロナウイルス関連需要が継続も、徐々に伸びは鈍化
- 人件費を中心に販管費の伸び抑制

トピックス

- JR九州ドラッグイレブンの業務統合推進
- 「くらしリズム」ブランドの育成と高付加価値品の展開
- 精肉・青果の導入拡大

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Please refer to page three. First, let me explain the outline of the cumulative second quarter financial results.

The figures include the three-month results from June 1 to August 31 of JR Kyushu Drug Eleven Co., Ltd., which joined the Group in May of this year.

Sales came in at JPY453.4 billion and operating income at JPY27.9 billion. We believe that they were very favorable results in comparison with both the year-before results and our forecast.

The main reasons for the results were the continuation of demand related to COVID-19 and the fact that the reaction to last-ditch demand before the consumption tax hike in the previous fiscal year was less than expected. In addition to these factors, we were able to control SG&A expenses, mainly in personnel expenses, which contributed to the growth in operating income.

In addition, we are making steady progress in integrating the operations of JR Kyushu Drug Eleven, developing our new private brands, Kurashi Rhythm and Kurashi Rhythm Medical, and promoting sales of meat, fruit and vegetables, which we are expanding in the current fiscal year.

We will explain the details on the following pages.

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2021年5月期 第2四半期累計 ドラッグイレブンの3か月分の実績を含む (6/1~8/31) (百万円 / %)

	前年同期実績		計画		当期実績			
		構成比		構成比		構成比	前年比	計画比
売上高	416,466	100.0	424,400	100.0	453,492	100.0	108.9	106.9
売上総利益	119,614	28.6	123,750	29.2	131,633	29.0	110.0	106.4
販売費・ 一般管理費	95,850	23.0	102,200	24.1	103,634	22.9	108.1	101.4
営業利益	23,764	5.7	21,550	5.1	27,998	6.2	117.8	129.9
経常利益	24,440	5.9	22,193	5.2	28,330	6.2	115.9	127.7
親会社株主に帰属する 当期純利益	15,554	3.7	13,480	3.2	16,587	3.7	106.6	123.1

Please refer to page four. The figures shown above are consolidated results, including those at Drug Eleven.

The non-consolidated results of Drug Eleven are described on page 20 of the materials. Please take a look at them later.

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2021年5月期 第2四半期累計

(百万円 / %)

	前年同期実績		計画		当期実績			
		構成比		構成比		構成比	前年比	計画比
売上高	416,466	100.0	424,400	100.0	440,546	100.0	105.8	103.8
売上総利益	119,614	28.6	123,750	29.2	128,071	29.1	107.1	103.5
販売費・一般管理費	95,850	23.0	102,200	24.1	100,157	22.7	104.5	98.0
営業利益	23,764	5.7	21,550	5.1	27,913	6.3	117.5	129.5
経常利益	24,440	5.9	22,193	5.2	28,251	6.4	115.6	127.3

売上高

- ・ 既存店前年比 上期+3.4%
- ・ 新型コロナ関連商品の需要増

売上総利益

- ・ 医薬品・化粧品などの季節商材が苦戦
- ・ 調剤・日用雑貨の粗利率向上

販売費・一般管理費

- ・ 人件費のコントロール・販促抑制などによる販管费率改善

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I would like to explain the YoY comparisons and comparisons with the forecast based on the results of six companies, excluding the figures for Drug Eleven. Please see page five.

The results exclude those at Drug Eleven. Sales were 105.8% YoY and 103.8% versus the forecast. Gross profit was 107.1% YoY and 103.5% versus the plan. SG&A expenses were 104.5% YoY and 98.0% versus the plan. Operating income was 117.5% YoY and 129.5% versus the plan. Ordinary income was 115.6% compared to the year-before result and 127.3% compared to the estimate.

Sales at comparable existing stores rose 3.4% YoY, reflecting continued demand for COVID-19-related products and other factors. Although sales of seasonal products, such as pharmaceuticals and cosmetics, struggled, gross profit exceeded both the year-before result and forecast figure due to an increase in the gross profit margin from sales at dispensing pharmacies and of daily necessities. As for SG&A expenses, we managed to improve the ratio of SG&A expenses as we controlled personnel expenses and curtailed sales promotions.

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当期

	第1四半期			第2四半期		
	実績	構成比	前年比	実績	構成比	前年比
売上高	224,623	100.0	107.6	228,869	100.0	110.2
売上総利益	65,076	29.0	108.8	66,556	29.1	111.3
販売費・一般管理費	49,913	22.2	105.8	53,720	23.5	110.4
営業利益	15,162	6.8	120.1	12,835	5.6	115.2
経常利益	15,328	6.8	119.1	13,001	5.7	112.4
親会社株主に帰属する当期純利益	9,137	4.1	104.7	7,450	3.3	109.1

【参考】ドラッグイレブン除く業績

	第2四半期		
	実績	構成比	前年比
売上高	215,923	100.0	104.0
売上総利益	62,995	29.2	105.4
販売費・一般管理費	50,244	23.3	103.3
営業利益	12,751	5.9	114.5
経常利益	12,923	6.0	111.7

前期

	第1四半期			第2四半期			第3四半期			第4四半期		
	実績	構成比	前年比									
売上高	208,805	100.0	109.3	207,661	100.0	108.2	209,142	100.0	102.7	215,427	100.0	110.0
売上総利益	59,820	28.6	111.1	59,793	28.8	109.8	61,098	29.2	105.3	63,548	29.5	110.6
販売費・一般管理費	47,197	22.6	110.9	48,653	23.4	107.7	48,334	23.1	102.8	55,064	25.6	116.6
営業利益	12,623	6.1	111.8	11,140	5.4	120.0	12,764	6.1	116.0	8,484	3.9	82.8
経常利益	12,868	6.2	110.5	11,571	5.6	118.6	12,965	6.2	115.2	8,892	4.1	83.5
親会社株主に帰属する当期純利益	8,727	4.2	120.8	6,827	3.3	119.4	7,748	3.7	119.1	4,596	2.1	85.5

Please see page six. This is a quarterly performance trend.

As you can see, due to the consolidation of Drug Eleven, sales and other items showed high YoY rises in the second quarter. However, as shown in the upper right section of the page, the results excluding Drug Eleven showed slow YoY growth in the second quarter compared to the first quarter results due to the reaction to the last-minute demand before the previous year's consumption tax hike and slight stabilization of COVID-19-related demand.

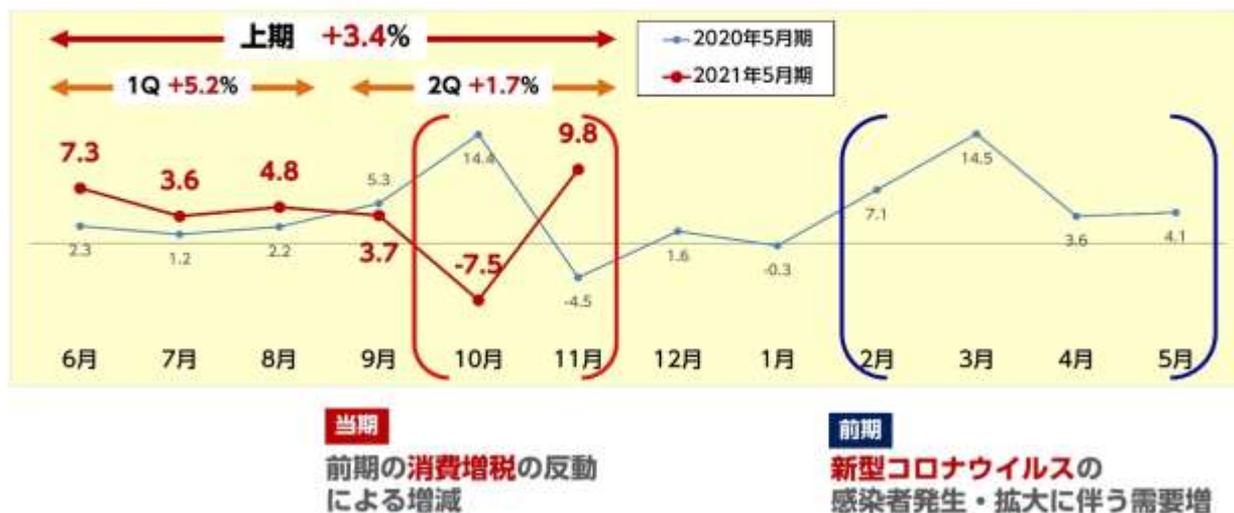
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※ドラッグイレブン除く



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Please see page seven. This shows monthly changes in comparable store sales. The figures for Drug Eleven are excluded. Blue and red indicate figures for the previous year and the current year, respectively.

As the cumulative Q2 figure was up 3.4%, which was a firm result as our full-year forecast is up 0.3%. As I explained earlier, in the second quarter of the current fiscal year, the factors that boosted and reduced sales in reaction to the consumption tax hike in the previous year proved to be significant.

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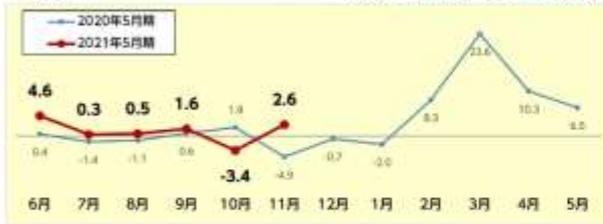
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客数

上期 +1.1%・2Q +0.3%



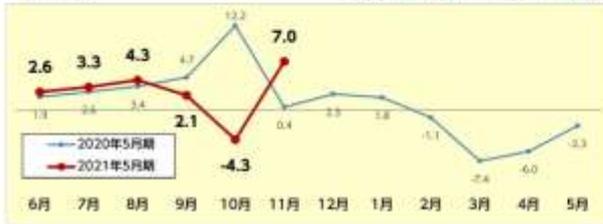
品単価

上期 △1.6%・2Q △2.7%



客単価

上期 +2.4%・2Q +1.4%



買上点数

上期 +4.0%・2Q +4.2%



Please see page eight, which shows the details of comparable store sales.

Sales at existing stores grew as a result of an increase in the number of customers and that in average spending per customer due to a rise in items purchased amid the impact of COVID-19.

Charging plastic shopping bags became mandatory on July 1. This effect is about 1% of the unit price per item and about 2% to 3% of the number of items purchased.

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地域別状況

	2020年 5月期末	2021年5月期					当四半期末
		新設	閉店	子会社化等	増減	当四半期末	
北海道	404	10	8	-	+2	406	
東北	506	16	1	-	+15	521	
関東甲信越	473	18	8	3	+13	486	
中部・関西	233	7	5	-	+2	235	
中国	300	5	3	1	+3	303	
四国	211	7	6	-	+1	212	
九州・沖縄	23	2	8	202	+196	219	
国内計	2,150	65	39	206	+232	2,382	
<small>(その他 FCB店舗 4店舗)</small>							
海外(タイ国)	22	2	2	-	0	22	

事業会社別状況

	2020年 5月期末	2021年5月期					当四半期末
		新設	閉店	子会社化等	増減	当四半期末	
ツルハ	1,253	39	18	-	+21	1,274	
くすりの福太郎	230	10	6	-	+4	234	
T G N	286	4	5	-	△1	285	
レデイ薬局	228	5	5	-	0	228	
杏林堂薬局	84	3	-	-	+3	87	
B & D	68	1	-	-	+1	69	
ドラッグイレブン	-	3	5	206	+204	204	
T G M D (EC本部)	1	-	-	-	0	1	
国内計	2,150	65	39	206	+232	2,382	

Please see page nine, which shows store openings and closures.

In the cumulative second quarter, we opened 65 stores and closed 39 stores. Due to an increase of 206 stores as a result of consolidating Drug Eleven, the number of domestic Group stores totaled 2,382.

In Thailand, two stores were opened, and two stores were closed, resulting in 22 stores in total.

Store openings and closures excluding Drug Eleven were largely in line with our initial plans though there was an impact of COVID-19.

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地域別売上高

(%)

	全店売上高 構成比	既存店売上高 前年同期比		
	2021年 5月期 上期	2019年 5月期 通期	2020年 5月期 通期	2021年 5月期 上期
北海道	17.7	101.7	103.8	103.1
東北	20.2	101.8	104.3	104.5
関東甲信越	17.1	100.7	104.0	101.9
中部・関西	18.3	96.9	101.3	99.2
中国	15.0	102.6	107.1	108.3
四国	8.1	101.7	104.2	105.7
九州	3.6	106.6	123.6	112.8
合計	100.0	101.5	104.2	103.4

会社別売上高

(%)

	既存店売上高 前年同期比		
	2019年 5月期 通期	2020年 5月期 通期	2021年 5月期 上期
ツルハ	101.5	103.0	102.3
くすりの福太郎	99.2	103.1	98.5
TGN	102.3	108.2	108.0
レデイ薬局	102.7	104.3	107.1
杏林堂薬局		104.8	103.7
B&D			103.6
合計	101.5	104.2	103.4

Please see page 10, which shows an overview of sales by region and group company. These figures also exclude Drug Eleven.

By region, sales struggled in the Chubu and Kansai regions, which were severely affected by the decline in inbound tourists, and struggled in the Kanto-Koshinetsu region, where many stores are located in front of railway stations and in office districts. On the other hand, sales were strong in suburban areas and residential areas, where there were favorable factors like stay-at-home demand.

In sales by company, Kusuri no Fukutaro struggled, as it was considerably affected by the impact of COVID-19.

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2021年5月期 第2四半期累計 ※通信販売を含む (百万円 / %)

		売上高	売上高		売上総利益率	
			前期比	構成比	前期比	前年増減
商品	医薬品	92,975	102.1	20.5	42.5	+1.0
	調剤	43,926	104.8	9.7	39.9	+2.9
	O T C	49,049	99.9	10.8	44.8	△0.5
	化粧品	64,583	90.8	14.2	33.3	+0.3
	日用雑貨	130,352	113.9	28.8	27.1	+2.2
	食品	104,880	111.1	23.1	14.5	△1.6
	その他	58,744	134.8	13.0	32.5	+1.1
	商品合計	451,536	108.9	99.6	28.9	+0.3
合	計	453,492	108.9	100.0	29.0	+0.3

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Please see page 11, which shows the results by product group.

Consolidated figures, including Drug Eleven, are shown above. For details, I would like to explain the figures excluding Drug Eleven.

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【参考】ドラッグイレブン除く商品群別実績

2021年5月期 第2四半期決算説明会資料
株式会社ツルハホールディングス

2021年5月期 第2四半期累計 ※通信販売を含む (百万円 / %)

商品	商品名	売上高		売上総利益率		
		前年比	構成比	前年比	前年増減	
商品	医薬品	90,559	99.5	20.6	42.6	+1.1
	調剤	43,339	103.4	9.9	39.9	+2.9
	O T C	47,220	96.1	10.7	45.1	△0.2
	化粧品	62,594	88.0	14.2	33.4	+0.4
	日用雑貨	126,232	110.3	28.7	27.4	+2.5
	食品	104,171	110.3	23.6	14.5	△1.6
	その他	55,079	126.4	12.5	32.6	+1.2
	商品合計	438,636	105.8	99.6	29.0	+0.4
合	計	440,546	105.8	100.0	29.1	+0.4

医薬品

- ・調剤の粗利率上昇 (→P13)
- ・かぜ薬など季節商材の不振

日用雑貨

- ・メーカー・卸様との施策 (JBP) による粗利押し上げ

食品

- ・競合店対策などによる影響

商品群「その他」の内訳 (百万円 / %)

商品名	売上高 ※POSベース	
	前年比	前年増減
健康食品	15,832	104.7
医療用品・介護	28,679	165.3
育児用品	10,315	95.8

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Please see page 12. As for pharmaceuticals, sales of seasonal products such as cold medicines were sluggish, but sales of in the dispensing division gradually returned to the previous year's level.

Sales of cosmetics remained struggling due to the impact of COVID-19.

On the other hand, sales of daily necessities and food were strong due to continued stay-at-home demand.

In the others segment, sales of medical products, which include masks, drove growth of the category as a whole.

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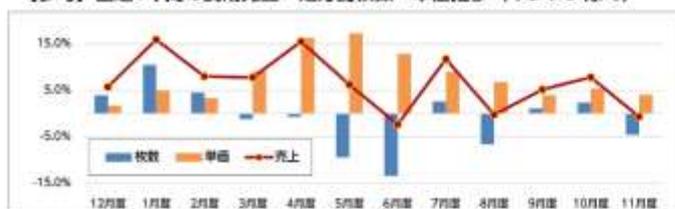
連結実績

	上期 累計			当期2四半期	
	前年同期実績	当期実績	前年比	実績	前年比
調剤報酬額 (百万円)	41,926	43,926	104.8	22,835	106.7
総利益率 (%)	37.0	39.9	+2.9	42.2	+5.4
処方箋枚数 (千枚)	4,179	4,118	98.5	2,179	103.1
単価 (円)	10,031	10,665	106.3	10,478	103.5

【参考】ドラッグイレブン除く実績

	上期累計		当期2四半期	
	当期実績	前年比	実績	前年比
調剤報酬額 (百万円)	43,339	103.4	22,248	104.0
総利益率 (%)	39.9	+2.9	42.2	+5.4
処方箋枚数 (千枚)	4,042	96.7	2,102	99.5
単価 (円)	10,722	106.9	10,580	104.5

【参考】直近1年間の調剤売上・処方箋枚数・単価推移（イレブン除く）



薬価改定後の交渉妥結により
第2四半期は粗利率が上昇（一過性要因）

- ・ 枚数減少・単価上昇の傾向は徐々に緩和
- ・ 服薬指導などの対人業務を強化
- ・ 後発医薬品の使用推進

Please see page 13, which shows the results of the Dispensing Division.

Please refer to the table at the lower left. As you can see, dispensing sales, which fell in the first quarter, gradually recovered in the second quarter.

The gross profit margin rose in the second quarter due to the conclusion of negotiations after the National Health Insurance drug price revision.

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PB区分別実績

(百万円 / %)

	売上高			売上構成比 ※対 調整除く商品売上		売上総利益率	
	前期	当期	前期比	実績	前年増減	実績	前年増減
くらしリズムシリーズ	4,681	11,065	236.4	2.8	+1.6	46.4	△2.2
エムズワン・メディスワン	12,431	9,453	76.0	2.4	△0.9	41.2	△3.1
小計	17,113	20,518	119.9	5.2	+0.6	44.0	△1.4
専売品・企業限定品	11,599	11,070	95.4	2.8	△0.3	45.2	△1.2
合計	28,712	31,589	110.0	8.0	+0.3	44.4	△1.4

SKU数

	SKU数			合計
	くらしリズムシリーズ	エムズワン・メディスワン	専売品・企業限定品	
医薬品	77	55	623	755
食品	40	103	383	526
医療用品	184	112	118	414
育児用品	3	5	15	23
化粧品	70	8	170	248
日用品	268	71	327	666
計	642	354	1,636	2,632

売上高

- くらしリズム+エムズワン
合算目標 通期400億円に
対し順調な進捗

粗利率

- マスクの粗利率低下
- かぜ薬・ドリンクなどの
季節品が不振

SKU数

- 期初から140SKU増
- くらしリズム通期目標
700SKUへ好調に推移

Page 14 shows our track record of private brand products. These figures also exclude those of Drug Eleven.

In the cumulative second quarter, total private brand sales were JPY31.5 billion, representing 110% of the year-before result and accounting for 8% of total net sales.

The GPM was down 1.4 percentage points YoY due to a decrease in the GPM for masks and sluggish sales of cold medicines and drinks. However, sales were favorable thanks to growth in COVID-19-related products.

We also saw steady progress toward achieving our full-year targets, thanks to the steady introduction of products under the new brand, Kurashi Rhythm.

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連結実績 ※ドラッグイレブン含む

(百万円 / %)

		2019年		2020年		2021年	
		5月期 上期	前年比	5月期 上期	前年比	5月期 上期	前年比
人件費	金額	44,496	131.0	48,643	109.3	53,133	109.2
	売上比	11.6	+0.6	11.7	+0.1	11.7	0.0
販売促進費	金額	2,723	155.8	2,907	106.8	2,803	96.4
	売上比	0.7	+0.1	0.7	0.0	0.6	△0.1
地代家賃等	金額	20,098	116.0	22,027	109.6	23,423	106.3
	売上比	5.2	△0.4	5.3	+0.1	5.2	△0.1
その他経費	金額	20,411	129.3	22,271	109.1	24,273	109.0
	売上比	5.4	+0.2	5.3	△0.1	5.4	+0.1
販売費・	金額	87,729	127.5	95,850	109.3	103,634	108.1
一般管理費	売上比	22.9	+0.5	23.0	+0.1	22.9	△0.1

人件費

- ・ 労働時間の適正化、時間外手当の削減など**良好なコントロール**

販売促進費

- ・ 販促・イベント**減少**による未消化
- ・ 1Q末のポイント残高が消化され**ポイント引当費用**は例年並みの水準で着地

Please see page 15, which shows the results of SG&A expenses. The figures include those of Drug Eleven.

In the second quarter, expenses continued to fall below our estimate, following the first quarter. This is attributable to the control of personnel expenses by optimizing working hours and a decrease in sales promotions and events due to the impact of COVID-19.

That is all for me. I'm closing my explanation. Next, President Tsuruha will explain our initiatives and policies for the current fiscal year.

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2021年5月期 計画 修正計画

売上高	営業利益高
9,200 億円 (前年比+9.4%)	490 億円 (前年比+8.9%)
※ J R九州ドラッグイレブン株の実績11.5か月分を含む (20.6.1~21.5.15)	

- J R九州ドラッグイレブンの子会社化
- プライベートブランド「くらしリズム」の展開
- スマートフォンアプリの活用・デジタル推進
- システム導入による人時管理の適正化
- 精肉・青果の委託販売取扱い拡大

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17

Tsuruha: From here on, I, Tsuruha, will explain our initiatives and policies for the current fiscal year.

Please turn to page 17. We revised our forecast for the fiscal year ending May 2021 as shown here.

We revised the initial estimates, net sales of JPY860 billion and operating income of JPY45.2 billion, to JPY920 billion for net sales and JPY49 billion for operating income.

The first reason for the revision was the consolidation of JR Kyushu Drug Eleven's performance for 11.5 months from June 1, 2020 to May 15, 2021. The company became a consolidated subsidiary on May 28.

Second, we made the revision in light of the strong performance of our first-half results. The main items to be implemented in the second half in order to achieve this forecast are described here. Later, I will explain each item.

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(百万円 / %)

	上期実績			下期計画			当期計画		
		構成比	前年比		構成比	前年比		構成比	前年比
売上高	453,492	100.0	108.9	466,508	100.0	109.9	920,000	100.0	109.4
売上総利益	131,633	29.0	110.0	135,367	29.0	108.6	267,000	29.0	109.3
販売管理費	103,634	22.9	108.1	114,366	24.5	110.6	218,000	23.7	109.4
営業利益	27,998	6.2	117.8	21,002	4.5	98.8	49,000	5.3	108.9
経常利益	28,330	6.2	115.9	20,070	4.3	91.8	48,400	5.3	104.5
親会社株主に帰属する 当期純利益	16,587	3.7	106.6	10,413	2.2	84.4	27,000	2.9	96.8

Please see page 18. This is the breakdown of the revised plan for the first half and the second half.

As a result of the revision, full-year net sales and operating income will be 109.4% and 108.9% of their respective results in the previous year.

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地域別出店計画（連結）

	2020年 1月期末	2021年5月期					期末店舗数
		開店	閉店	子会社出店	増減		
北海道	404	21	11	-	+10	414	
東北	506	29	3	-	+26	532	
関東甲信越	473	36	8	3	+31	504	
中部・関西	233	19	11	-	+8	241	
中国	300	14	3	1	+12	312	
四国	211	10	8	-	+2	213	
九州・沖縄	23	7	11	202	+198	221	
国内計	2,150	136	55	206	+287	2,437	
<small>（その他 FC店舗 4店舗）</small>							
海外（タイ圏）	22	2	2	-	0	22	

会社別出店計画（連結）

	2020年 5月期末	2021年5月期					期末店舗数
		開店	閉店	子会社出店	増減		
ツルハ	1,253	84	27	-	+57	1,310	
くすりの福太郎	230	15	5	-	+10	240	
T G N	286	15	6	-	+9	295	
レデイ薬局	228	8	7	-	+1	229	
杏林堂薬局	84	5	1	-	+4	88	
B & D	68	3	1	-	+2	70	
ドラッグイレブン	-	6	8	206	+204	204	
TGMD（EC本部）	1	-	-	-	0	1	
国内計	2,150	136	55	206	+287	2,437	

Page 19 shows our store opening plans.

No change has been made to the initial plans, but the figures for Drug Eleven have been added. We will open 136 stores, up from 130 stores in the initial opening plan, and close 55 stores, up from 47 stores.

In addition to the increase of 204 Drug Eleven stores, the number of stores is expected to total 2,437 at the end of the current fiscal year ending May 2021.

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JR九州ドラッグイレブン(株)の子会社化

スケールメリットを生かした
統合シナジーの最大化と収益性向上



仕入条件の改善

9月から**共同仕入れ**開始

間接部門を中心とした**業務統合**

効率化・コスト低減

プライベートブランド商品の導入

10月から順次開始

既存店の底上げ・活性化

不採算店舗の**スクラップ&ビルド**の推進

ドラッグイレブン業績
(当四半期連結対象：6/1-8/31)

	実績	
		構成比
売上高	12,946	100.0
売上総利益	3,575	27.6
販売費・ 一般管理費	3,335	25.8
営業利益	240	1.9

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20

Please see page 20.

With regard to Drug Eleven, which joined the Group in the current fiscal year, we are currently conducting integration work at the working level in order to realize synergy at an early stage. We started joint purchases on September 16. We plan to improve the procurement conditions in the future.

In addition, we are planning to improve efficiency and reduce costs as we are proceeding with integration work in the dispensing, store development, systems, and administrative divisions.

The introduction of private brand products has already begun, and more than 300 SKUs of our Kurashi Rhythm brand have already been introduced.

In addition, we will promote a scrap-and-build initiative and renovation to raise and revitalize the existing Drug Eleven stores, which are a main issue for the subsidiary. We are currently in the process of examining the stores and preparing a schedule. We intend to accelerate the implementation toward the end of the current fiscal year or the next fiscal year.

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「くらしリズム」を中心としたPB展開

SKU数拡大による「くらしリズム」ブランドの育成と 専売品を含めた高付加価値品の展開

メーカー共同開発商品の展開

グループのスケールメリットに加え
提案力・販売力の強さを背景とした
高品質PBの開発・全店展開



ファンケルとの共同開発商品「セラアクア」(10/1発売)

管理栄養士との連携

食品のPB商品開発に管理栄養士が参加し
管理栄養士の活動・取り組みとの
シナジー創出を図る



ツルハグループの
管理栄養士おすすめ
ナッツシリーズ
(10月発売)

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21

Please see page 21, which introduces PB products.

We are proceeding with the development of Kurashi Rhythm products, which are PB products common to the Group, to increase 200 SKUs during the current fiscal year to 700 SKUs as we initially planned.

In October, we launched a cosmetics product called cera aQua, which was jointly developed with FANCL Corporation. This is a high-quality, value-added product that can differentiate itself from other cosmetics products.

In addition, we have launched the nuts series recommended by registered dietitians, the first group of products under supervision of registered dietitians. The Group is strengthening the product line-up involving registered dietitians. Going forward, we intend to continue developing products that can be differentiated in the health and beauty category.

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アプリの活用推進とデジタル戦略

1to1マーケティングの実現に向けた基盤の構築・ 接客・カウンセリング力を生かすデジタルツールの活用

スマートフォンアプリの利用促進

ダウンロード数 約**190**万件
アプリ特典・機能の強化を通じた
さらなる**ユーザー拡大**

「夢クーポン」予約機能の追加
購買履歴に基づくおすすめ
クーポンをアプリで選択
→店頭端末で一括印刷し利用



新しい**カウンセリング活動**の推進

肌測定、タッチアップに代わる
非接触型カウンセリング

タブレット端末等を使った
カウンセリング
(レデイ薬局事例)



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22

Please see page 22. This is about a smartphone app and digital promotion.

We are currently encouraging our customers to download our smartphone app, which will become a basis for our initiatives. Our goal at the end of the current fiscal year is to have four million customers who downloaded the app, including those who moved from among 11 million TSURUHA Group point card holders and new members.

Latest data showed that two million have downloaded the app. Though it was a little behind schedule, we believe that we will be able to achieve the goal by the end of the fiscal year.

At first, we will quickly create a situation in which customer can utilize this app, which serves as our point of contact with customers. In parallel with this, we will build a system that enables us to achieve highly accurate marketing that meets the need of individual customers.

We will also respond to changes in customer service methods due to the COVID-19 crisis. In particular, in cosmetics customer service, we have introduced digital and other methods for experiment so that employees can respond to customers without touching them. We intend to continue preparing a wide range of countermeasures.

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精肉・青果の 展開拡大

既存店の改装と
新店への導入

当四半期末 **660店**
(期中+**300店**)

委託販売によるラインロビングで
作業を増やさず **来店頻度**を向上



人時管理の 適正化

労働時間・残業時間の
管理強化

システム導入による
可視化・効率化

シフト作成支援システムの活用
10月 ツルハ調剤店舗に導入
→ツルハ全店に導入完了
他の事業会社への導入
(来期以降)

オリコン顧客満足度ランキング

ツルハ **総合1位**
ドラッグ

「会員サービス・特典」
「利用のしやすさ」で
特に高評価を頂きました

くすりの **関東地区1位**
福太郎

杏林堂 **東海地区1位**

ウォンツ **中国・四国地区
2位**

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23

Please see page 23. Among other initiatives, we are increasing the number of stores handling meat, fruit and vegetables.

The number of those stores introducing the areas for those products has increased by 300 to 660 at present. Those areas contribute to an increase in the number of customers since the customer need for one-stop shopping has increased due in part to the impact of COVID-19.

We are in the process of introducing a shift preparation support system to ensure appropriate personnel costs. We finished the introduction of the system into the dispensing pharmacies of TSURUHA Drug in October. As a result, almost all TSURUHA stores have introduced the system.

We are beginning to see some effects, such as the optimization of overtime work expenses and the working hours of part-time employees. Going forward, we will continue to update the optimization of operations while holding study meetings and listening to the opinions of frontline employees. We also plan to introduce the system to other operating companies in the Group toward the end of the current fiscal year.

In addition, as described here, the TSURUHA Group companies received high marks in the Oricon Customer Satisfaction Survey. This is just an example. There are various customer satisfaction surveys in the industry. Taking the results of numerous reviews seriously, we will make Group-wide efforts to operate stores so that customers choose them, focusing on education of customer services.

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**2024年5月期
中期目標**

店舗数3,000店舗 売上高1兆円



- 専門性・利便性の追求
- ドミナントエリア戦略に基づく店舗展開
- PB商品の展開拡大・商品力向上
- グループの組織力・収益力強化

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24

Please see page 24.

This is the medium-term target we have always shown, focusing on sales of JPY1 trillion and 3,000 stores for the fiscal year ending May 2024. We will continue to work hard toward this goal.

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当社の事業とSDGs

ツルハグループ 経営理念
 お客様の生活に豊かさと余裕を提供しよう。
 日本が誇るツルハグループになる。
 「ツルハグループこそ最高のドラッグストアだ」
 「また来よう、みんなに教えてあげよう。」
 お客様にこう言ってもらえるドラッグストアになら
 う。
 生かす地元の方々に
 「あのドラッグストアはすばらしい」
 「あのドラッグストアにしかない」
 と自信と誇りをもって推薦してもらえる
 ドラッグストアにならう。
 そうなることが、高い生産性と高収益を生み出し、
 お客様と従業員一人一人の生活のしあわせと、
 豊かさと、余裕を保障し、社会へ貢献できる
 ただ一つの道である。

地域の生活を守るライフ
 ラインとして、健康な暮
 らしをお手伝いするとと
 もに、雇用や経済活動の
 場を提供し、社会に貢献
 する



個別の取り組み

レジ袋有料化・販売収益の寄付

約3,000万円を
 日本ユニセフ協会へ寄付



ピンクリボン活動への支援

くらしリズム
 リリナトイレットロールの
 売上金の一部を寄付



車いすの寄贈

2000年以降 毎年実施
 累計 2,850台



Please see page 25. Finally, as for initiatives to achieve the SDGs, I believe that there are many ways that contribute to achieving the goals by aiming to realize our management philosophy.

In the most recent case, we donated JPY30 million to UNICEF Japan from sales obtained by charging plastic shopping bags, as described here.

Among other things, we listed here our support for the Pink Ribbon campaign and the long-standing donation of wheelchairs.

We will continue to strive to contribute to society by fulfilling our role as a lifeline company that protects the lives in local communities. We look forward to your continuous support.

That's all for my explanation. Thank you for your attention.

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Question & Answer

Yamazaki: Now, we will move on to the question-and-answer session.

We will use the Raise Hand function in Zoom. As some participants have already raised hands, I will release the protection. Thank you for waiting, please make questions.

Takahashi: This is Toshio Takahashi from Mizuho Securities. Thank you for your detailed explanation. I would like to ask you two big questions, and then, as usual, a small question just for confirmation.

First, you mentioned JR Kyushu Drug Eleven, saying that joint procurement has begun. I think there was a similar question three months ago. Three months have passed since then, so please tell us its strengths and weaknesses. Moreover, you said you will accelerate the scrap-and-build process at existing stores. By what sort of scrap-and-build measures do you think you can increase value? This is the first question.

Second, I think that the financial results for the first half of the current fiscal year were fairly good. Of course, top-line sales grew, and expenses were firmly controlled. I'm afraid that it's a little too minute, but which subsidiary do you think that made or did not make sufficient efforts. As you disclosed the performance of each subsidiary, I can see their figures, but could you give qualitative remarks for the first half like sales of this and that subsidiary were good, and expenses were not good?

Please give me a little more details about successful points or insufficient points, whether they are shown per subsidiary or from the standpoint of sales or SG&A expenses. This is the second question.

Finally, I would like to ask you a question about minute data, so it would probably be easier for Mr. Yamazaki to answer. The first point is that I would like to know about the operating income margin by region, which I always ask.

In addition, you have not revised your net income forecast because you will report a substantial amount of extraordinary loss for the second half. Please tell us the background behind this.

I'm sorry for too many questions, but next is the last one. I think that 8.5 months' worth of JR Kyushu Drug Eleven performance will be included in the second half results. I remember that in the case of B&D Drug Store, the third quarter and fourth quarter results included 5.5 months' and three months' worth of results, respectively. Will you follow this pattern again? Please let us know if you have decided the distribution method.

Yamazaki: Thank you very much.

Tsuruha: Tsuruha will answer the first question.

Regarding your question about Drug Eleven, I recognize that the strength of Drug Eleven is that although they are small stores, the company has sales capabilities specializing in health and beauty products.

With regard to the scrap-and-build process, we are naturally closing unprofitable stores. In addition, in Fukuoka, Kagoshima, and Okinawa, the prefectures where Drug Eleven has high market shares, we are picking up stores that are currently generating profits to some extent, and that are likely to grow further through the scrap and build and renovation. We are currently prioritizing the stores, and based on this, we would like to set a schedule from around the end of the current fiscal year and aim to increase the size of the stores as large as possible.

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If the scrap and build is possible, we would like to increase the sizes of suburban stores to 250 tsubo to 300 tsubo to tailor them to suit the sizes of our Group stores. Therefore, we are putting in place a schedule to bring together the collective strengths of the Group and renovate those stores for the introduction of food, which Drug Eleven has not yet done much.

The second question is about what we reflected on the first half results. Of course, TSURUHA Drug was affected most by the disappearance of demand from inbound tourists and Kusuri no Fukutaro was struggling due to its urban-type locations in front of railway stations and sluggish dispensing sales. Of course, Drug Eleven has many stores in urban areas, its performance was affected by the locations. Other companies showed relatively good results as they have many suburban stores with food.

The only thing that we feel sorry for was that sales of cosmetics dropped dramatically in the marketplace due to the COVID-19 pandemic. Since we are a company that is strengthening counseling for beauty, we could say that the decline was less than those at other companies by having particular brands. Our strength lies in having major brands. Though cosmetics keep faced with the headwind, we would like to leverage the strength of our counseling services to recover the losses as much as possible in the second half.

Yamazaki will answer the third question.

Yamazaki: I'll show the data about the operating income margin by region.

First of all, I'll show the data per company. The cumulative total for the first half of the current fiscal year: At TSURUHA Drug, 6.5% in the first half of the previous fiscal year and 6.8% in the first half of the current fiscal year; At Kusuri no Fukutaro, 4.4% a year earlier and 4.0% in the current first half. At Tsuruha Group Drug & Pharmacy Nishinohon, 8.3% and 9.6%. At Lady Drug Store, 6.4% and 7.0%. At Kyorindo Drug Store, 2.8% and 4.6%. At B&D Drug Store, 3.9% and 4.0%. At Drug Eleven, an operating income margin of 1.9% for the three months from June to August.

In addition, I will show the operating income margin by region, excluding figures of new stores. All figures are at the store level. In Hokkaido, 8.2% in the first half of the previous fiscal year and 9.2% in the first half of the current fiscal year. In Tohoku, 6.5% and 6.8%. In Kanto-Koshinetsu, 4.3% and 5.8%. In the Chubu and Kansai regions, 1.2% and a negative 5.6%. That is all.

Murakami: Next, the distribution of Drug Eleven's results in the consolidated periods is yet to be determined. However, as you mentioned, we assume that we will conduct a similar distribution to the case of B&D Drug Store.

In the case of B&D, three months' worth of results was for the third quarter and 5.5 months' worth of results was for the last quarter, resulting in a total of 11.5 months, so we would like to use this as a benchmark and conduct accounting procedures.

Regarding the final question about net income, the key is the operating income forecast, which we revised this time. The main reason is that the outlook for demand from inbound tourists is extremely severe, so we are going to close or suspend the relevant stores. The associated penalties will be reported in non-operating expenses and store closures will lead to impairment loss, affecting the net income balance. Therefore, we have left the net income forecast unchanged. That is all for me.

Takahashi: Excuse me with many questions. Thank you very much.

Yamazaki: Thank you very much. Please ask the next question.

Kawano: This is Sho Kawano from Goldman Sachs Japan. I have some questions.

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The first is about the revision to the full-year forecast. How far was Drug Eleven's performance included in the revised forecast and how was the remaining portion other than Drug Eleven changed from the initial forecast? This was the first question.

The second question is about the improvement of the GPM in the Dispensing Division. The terms for prescriptions are lengthening and the portion of technical fees is declining. In particular, compared to other companies, your GPM seems to have improved very much, despite the fact that Kusuri no Fukutaro has many pharmacies close to hospitals. Why has the GPM improved sharply. This was the second question.

Finally, though Kyorindo Drug Store's pace of improvement was said to be slow, I think that its improvement can be expected. I think that you were strengthening the quality of Kyorindo's management, especially the control of expenses, since around 18 months. Could you tell me what is going on at Kyorindo? That is all.

Yamazaki: Thank you very much.

Tsuruha: Tsuruha will answer your questions. We will refrain from disclosing the details about Drug Eleven's inclusion in the consolidation of your first question about the amount of the new subsidiary's incorporation in the revised forecast, but you will see that we estimated JPY46 billion to JPY47 billion by calculating about 11.5 months' worth of annual sales.

In terms of operating income, as the amounts of goodwill and other factors will be subtracted, there is no significant impact of Drug Eleven on our operating income in the revised forecast.

Therefore, excluding Drug Eleven, actual sales in the second half will be around 101.7% of the year-earlier level and operating income will be around 103% to 104%.

Next, I would like to explain the high gross profit in the Dispensing Division. As Murakami mentioned earlier, the main reason is that the GPM increased very sharply due to a temporary factor as a result of the settlement of negotiations of NTI drug prices. Of course, there are on-site efforts like promoting generic pharmaceuticals, but the main factor was that temporary one.

Regarding the third question about the recovery of Kyorindo, as you mentioned, the cost control initiative has shown its effects, and the synergy has run its course, and the effects of joint purchases and rebates have surfaced in the third year since the consolidation.

As was mentioned earlier, especially amid the COVID-19 pandemic, I think that Kyorindo's strength of providing opportunities for one-stop shopping worked favorably. That was my explanation.

Kawano: Excuse me, you mentioned the temporary factor in the Dispensing Division, but I think the conclusion of NIH price negotiations is a common cause for every year. I forget how the method of incorporation of negotiation results was changed. Was it changed to a semiannual basis from lump-sum inclusion in the fourth quarter? Anyway, did you claim that it was a temporary factor?

Murakami: I, Murakami, would like to add an explanation. There is a drug price revision every year. Normally, NHI prices are revised on April 1. Since then, we continue negotiating with each vendor over new prices while we procure drugs at provisional prices. According to our fiscal terms, the first phase of negotiations generally ends on August 15, the final day of the first quarter, and the second round of negotiations is concluded on November 15, the end of the second quarter.

This year, due in part to the influence of COVID-19, the negotiations were not going well. We reached a lump-sum agreement on November 15. Accordingly, there was no agreement in the first quarter, and the substantial concluded amount in the second quarter was reported retroactively in gross profit.

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In that sense, the implication of what President Tsuruha mentioned earlier was that the impact of the NHI drug price revision was concentrated in the second quarter, though the new price levels are maintained in the second half. Is this answer okay with you?

Kawano: Thank you very much. I'd like to ask President Tsuruha an additional question. It is said that COVID-19 was a major boosting factor for drug stores as a whole. Given this situation, though it would be premature to ask, do you have any idea about how to generate profits for the next fiscal year?

Tsuruha: It's very unclear how long COVID-19 really lasts, so I don't know about that point yet. However, I think that once acquired customs will continue in the future.

For example, there is the growing and very strong need to buy household goods, daily necessities, masks and other hygiene products at the nearest drug stores. Without going out far, people tend to finish shopping in nearby areas. As a result, I think drug stores proved to very convenient for consumers.

In addition, the need for one-stop shopping is growing, and now many drug store companies sell food at their drug stores. As we announced earlier, we also have meat, fruit and vegetables, even though they are really small in quantity. We believe that we should respond to this need.

Another point is that the trend for self-medication may continue to advance. As expected, I believe that consumers will have stronger awareness of how to protect their own health on their own, and I think that we can help them to do so as a drug store company.

To tell more in detail, though there is the need for bulk buying and for lump-sum shopping, I believe what is really needed is that consumers, who find convenience at nearby drug stores, can do one-stop shopping and consult the staff about their health there. That is all.

Kawano: Thank you very much.

Yamazaki: Thank you very much. We still have some more time. Do you have any further questions? Well then, please.

Yanahira: This is Takashi Yanahira from Ichiyoshi Research Institute. I would like to ask you about three points for the simple confirmation of numbers.

The first point is about the assumptions for existing stores after the revision, for the second and full year.

Second, if I calculate backward, I assume that the extraordinary loss amount in the current fiscal year will be around JPY2 billion. Is that correct?

Third, when you talk about operating income in the second half, President Tsuruha said that it will increase about 3% to 4% YoY, excluding Drug Eleven. Therefore, if I calculate backward, I think that including Drug Eleven's goodwill, there will be a fall of more than JPY1 billion. Is that correct? That is all for me.

Yamazaki: Thank you very much.

Tsuruha: As explained earlier, the rise in the first half was 3.4%, and sales at existing stores in the second half are expected to be up around 0.7% YoY, less than 1%, according to the revised figures. As a result, we expect that full-year sales will rise around 2%.

How about the second question on extraordinary loss worth JPY2 billion?

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Murakami: I, Murakami, would like to answer your question. We did not disclose individual figures. However, according to our plans, restoration expenses to original conditions after store closures are related to operating income, and penalties due to cancellations belong to non-operating expenses. We estimated that impairment costs as I mentioned earlier, which affect the bottom-line net income, will be slightly less than the amount you mentioned.

Moreover, I think that there are some participants who remember that the previous year's net income benefited from the income expansion taxation for the past two years, so in that sense, the rise in revised net income appears to be small compared to the previous year, but when we exclude the taxation benefit, net income has been on an uptrend.

It is difficult to reply to the question about a specific figure like the JPY2 billion, but we are planning a slightly smaller figure than that.

Tsuruha: Let me answer your third question. I'm sorry, I probably said it wrong a while ago, and I'll correct it a bit.

According to the revised budget, I said that operating income will be 104% without Drug Eleven, but this was entirely wrong. Actually we estimate it at around 98% of the previous year's level. Therefore, we hardly estimate the difference of Drug Eleven. I'm sorry.

Yanahira: I understand. Thank you very much.

Yamazaki: Thank you very much. What is your next question?

Takayanagi: I'm Mitsuru Takayanagi from UBS Securities. I have two supplementary questions.

The first is about the revised forecast that you have just explained. The estimated 1% fall in operating income in the second half seems to be a very low target, given that there were COVID-19 benefits worth JPY3 billion in the previous year. There was a decreased of around JPY2.7 billion from the previous forecast for the second half. Was that due to your conservative stance on the current environment, rather than a special situation?

The second question is about your subsidiary companies. If there was no mistake in entry, B&D Drug Store incurred a sharp profit fall in the second quarter. Kusuri no Fukutaro increased profit in the first quarter, but saw a profit decline in the second quarter. Why did their results weaken? I guess there was reaction to the active demand before the consumption tax hike, but please provide us separate explanations.

Yamazaki: Thank you very much. Tsuruha will answer the first question.

Tsuruha: As to the reason for the revision for the second half, when we prepared the original budget in March to April, we were quite unable to forecast the situation around COVID-19, and we actually made a budget that was weighted toward the second half of the year a little more than that for a usual year. In the previous year, there was still demand from inbound tourists until February, and customers rushed to our stores in March, April, and May, even without distributing flyers. To be sure, as you said, there was also an impact from the JPY3 billion in COVID-19 benefits, so we estimated that the reaction will be very large and revised the initial forecast.

Regarding the second question, the decline at B&D in the second quarter was due to the renovation of two stores or so that enjoy large sales amounts. Since many of B&D stores are older than 10 years, the renovation takes half a month or a full month against three to four days for a common TSURUHA store. The performance in the second quarter was affected by this. That is all.

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Takayanagi: Thank you very much.

Tsuruha: Thank you.

Yamazaki: We received questions from another participant.

Murata: This is Dairo Murata from JPMorgan Securities Japan. Thank you for your explanation. I have questions to confirm some points of the results and forecast.

The first is about your idea about the GPM. I might have missed part of your explanation. According to the revised plan for the second half, the GPM will be slightly lower YoY. The first question is whether there is any reason for this or whether you took a conservative stance.

The second question is about SG&A expenses. First of all, looking at the breakdown of the first-half results, there is a considerable increase in the item of Others. If you have any particular reason for this, please let me know.

Looking at the second-half plan for the breakdown of SG&A expenses, sales promotion expenses will grow considerably again. Please let me know if there is any policy of yours. Please provide supplementary information about the GPM and SG&A expenses.

Yamazaki: Thank you very much.

Tsuruha: Well, I, Tsuruha, will answer the first question about the GPM.

We announced an estimated GPM at 29.6% for the second half before the revision. This time, we estimated the GPM at 29%, down 0.6 PPT from the initial estimate. The major reason is that the fall in the GPM due to common cold medicines will substantially affect earnings in the second half like it did in the summer.

In the winter, the share of cold medicines usually exceeds 10% to stand at around 11% of our sales of pharmaceuticals. In this large category, a fall in sales seriously affects gross profit. As for cold medicines, there is rumor that those that contain an ingredient called ibuprofen may worsen the COVID-19 symptoms. So, there are double downward effects along with a fall in highly profitable products.

Moreover, gross profit of medical goods like masks has sharply decreased. As expenses have increased due to surges in materials prices, gross profit of masks, especially that of private brand masks, has fallen around 10% YoY, affecting the overall result.

There is also a YoY fall in the GPM of food. With these factors, we revised down the estimate for the GPM for the second half.

Could you explain the second point, SG&A expenses?

Murakami: I will explain. Basically, we set the plans on SG&A expenses based on the assumption that they will grow similarly as in a usual year for both the first half and second half. Though I cannot show separate figures at present, the total YoY plan for the second half is based on the same assumption as in the first half.

If the details become clearer, we explain them at another separate meeting or some other occasions. My explanation is over so far.

Yamazaki: Excuse me, but I would like to confirm whether the question is about the growth of other expenses in the first half.

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Murata: That's right. About Others in the actual results.

Tsuruha: Others in the first half include consumables. Expenses that grew most in the first half were those at sales stores for measures to cope with COVID-19, such as the distribution of masks to employees, setting hand sanitizers, and purchasing droplet protection sheets and acrylic boards. These unprecedented expenses showed an irregular rise not seen in a normal year.

Murata: I understand. I have a supplementary question. You said that gross profit of cold medicines will be severe in the second half. Do you assume that hay fever medicines will be in line with a result for a regular year?

Tsuruha: That's right. There are separated expectations of hay fever medicines. Some say sales will not be good because people wear masks. However, we hear that the amount of pollens in the air will be large in the coming season, so rhinitis medicine makers recently expect that sales will be better than in the spring of 2020. We expect that hay fever medicine sales will be in line with those in a regular year or a little more than usual.

Murata: I understand. Thank you very much.

Yamazaki: We are sorry, but we would like to close the Q&A session as the time is up.

After the end of this webinar, a questionnaire on this briefing will be displayed on the screen. Please fill in it as we would like to utilize your opinions for our IR activities.

Now, we are closing TSURUHA HOLDINGS INC.'s financial results briefing for the second quarter of the fiscal year ending May 15, 2021. Thank you for joining us.

Tsuruha: Thank you very much.

Murakami: Thank you very much.

[END]

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