TSURUHA HOLDINGS INC

TSURUHA HOLDINGS INC.

1st Quarter of FY5/21 Financial Results Announcement

September 14, 2020

Event Summary

[Company Name]	TSURUHA HOLDINGS INC.
[Event Type]	Earnings Announcement
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[Venue Size]	
[Participants]	
[Number of Speakers]	2

Makoto Murakami	Executive Officer and Chief Administrative Officer
Takuya Yamazaki	Investor Relations Manager

Presentation

Yamazaki: Now, it is time for us to hold a financial results briefing for the first quarter of the fiscal year ending May 2021.

Let me introduce today's attendees. Murakami, Executive Officer and Chief Administrative Officer.

Murakami: I am Murakami. Thank you.

Yamazaki: I am Takuya Yamazaki, Investor Relations Manager. I will also be today's moderator. Thank you in advance.

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 earnings briefing on the Company's website.

For today's presentation, first, Yamazaki will explain the outline of our business performance, followed by a briefing from Murakami about our initiatives and policies for the fiscal year under review. Thereafter, we will move on to a question-and-answer session.

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

First, Yamazaki will explain the outline of our business performance. Please note that as stated on page one of the material and on the table of contents, the first quarter profit and loss does not include the figures of JR Kyushu Drug Eleven Co., Ltd.

Please refer to page three.

In the first quarter of the period ending May 2021, sales increased 7.6% from the previous year to JPY224.6 billion, and operating margin increased 20.1% from the previous year to JPY15.1 billion.

Despite negative factors such as the disappearance of inbound demand and sluggish sales of seasonal products, increased demand related to the coronavirus has continued since the end of the previous quarter, resulting in a significant boost to sales. We also recognize that we have been able to control selling, general and administrative expenses well.

Major topics are described in the following section. In the second half, Murakami will explain.

2021年5月期 第1四半期連結業績（前期比）

第1四半期実績

（百万円 / %）

	前年同期実績	構成比	当期実績	構成比	前年比
売上高	208,805	100.0	**224,623**	**100.0**	107.6
売上総利益	59,820	28.6	**65,076**	**29.0**	108.8
販売費・一般管理費	47,197	22.6	**49,913**	**22.2**	105.8
営業利益	12,623	6.0	**15,162**	**6.8**	120.1
経常利益	12,868	6.2	**15,328**	**6.8**	119.1
親会社株主に帰属する当期純利益	8,727	4.2	**9,137**	**4.1**	104.7

売上高

- 既存店前年比　+5.2%
- 新型コロナウイルス関連商品の需要増が続き想定を上回る進捗

売上総利益

- 日用雑貨・医療用品を中心に各商品部門の粗利率向上

販売費・一般管理費

- 人件費のコントロール等が奏功し販管費率は0.4ポイント改善

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Please refer to page four. Consolidated financial results for the first quarter of the fiscal year under review are detailed in the table above.

Existing stores sales increased 0.3% more than assumption for the full fiscal year and increased 0.4% more than assumption for the first half.

All of these assumptions did not incorporate an increase in demand for related products due to uncertainty about the outlook for the spread of coronavirus infections at the time the budget was formulated. However, actual progress exceeded expectations due to the continuing increase in demand.

We will explain gross profit and SG&A expenses later on a separate page.

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出店・閉店状況

地域別状況

	2020年5月期末	2021年5月期 出店	閉店	純増	当四半期末
北海道	404	2	5	△3	401
東北	506	8	1	+7	513
関東甲信越	473	7	3	+4	477
中部・関西	233	3	5	△2	231
中国	300	3	-	+3	303
四国	211	5	5	0	211
九州・沖縄	23	-	3	△3	20
国内計	2,150	28	22	+6	2,156

（その他 FC店舗 4店舗）

	2020年5月期末	出店	閉店	純増	当四半期末
海外（タイ国）	22	1	2	△1	21

閉店店舗には、期首閉店のインバウンド店9店舗を含む

事業会社別状況

	2020年5月期末	2021年5月期 出店	閉店	純増	当四半期末
ツルハ	1,253	15	15	0	1,253
くすりの福太郎	230	5	1	+4	234
TGN	286	3	3	0	286
レデイ薬局	228	3	3	0	228
杏林堂薬局	84	2	-	+2	86
B&D	68	-	-	0	68
TGMD（EC本部）	1	-	-	0	1
国内計	2,150	28	22	+6	2,156

JR九州ドラッグイレブンの状況
当第1四半期末 203店舗
5月28日付子会社化206店舗
期中 開店1（東京）・閉店4（九州）

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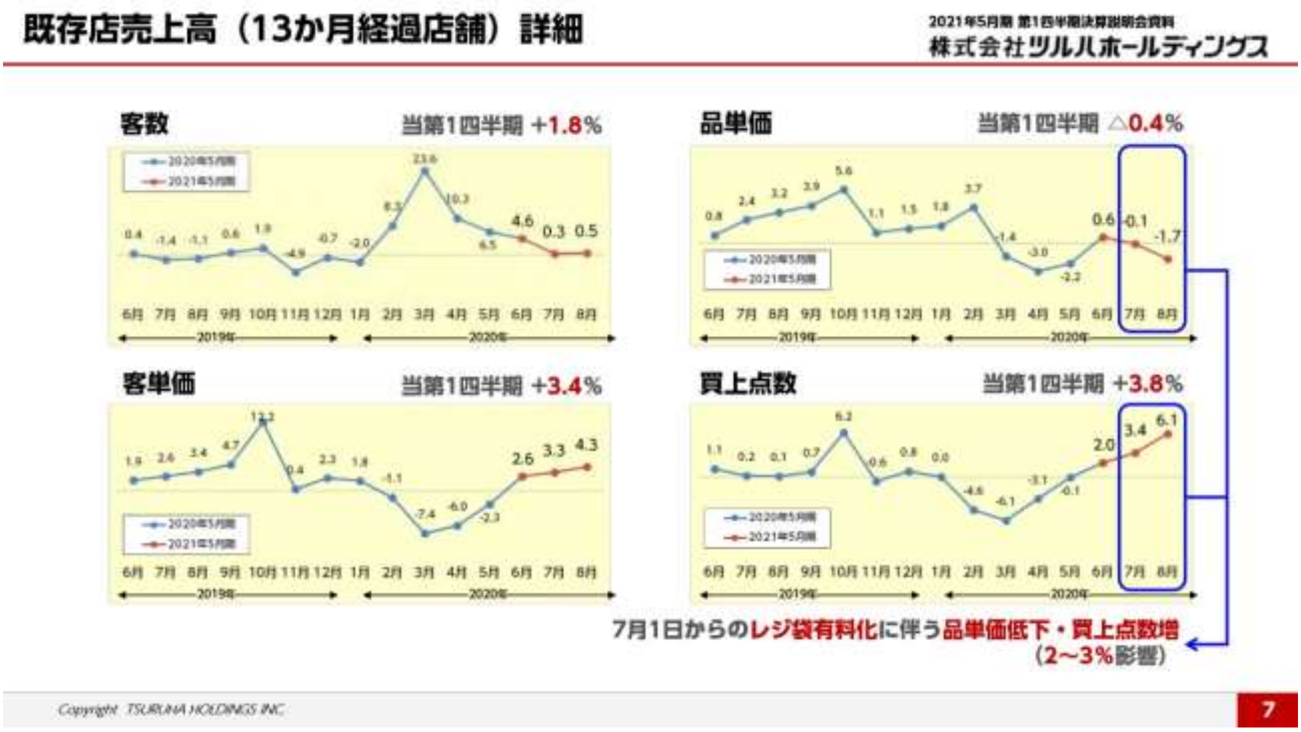
Page five explains the opening and closing of stores.

The number of stores excluding JR Kyushu Drug Eleven Co., Ltd. is 2,156, as shown in the table. There are 203 Drug Eleven stores, so including them, there will be 2,359 stores. The number of stores closed, excluding Drug Eleven, was 22, which included the closure of nine inbound stores, which we communicated at the previous briefing. As the last business day is May 15, the store will be closed as of May 16.

Next, the graph on page six shows the 15-month trend in comparable store sales.

Special factors such as the consumption tax hike in October of last year, and the coronavirus at the beginning of this year continued. In the first quarter of FY5/21, there was no significant increase or decrease, but the level remained high due to the impact of the coronavirus.



Details are shown on page seven.

The number of customers has stabilized in July and August, but average spend per customer has been growing due to such factors as demand for staying at home (Sugomori).

Also, in terms of the unit price of products and the number of items purchased, the plastic shopping bags have been charged since July 1. The price of plastic shopping bags is recorded as product sales, so a decline in the unit price of goods and an increase in the number of items purchased are seen in the numbers.

The impact on average customer spend is immaterial.

地域・会社別売上概況

2021年5月期 第1四半期決算説明会資料
株式会社ツルハホールディングス

地域別売上高

(%)

	売上構成比 2021年5月期 1Q	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 1Q
北海道	18.3	101.7	103.8	105.1
東北	20.8	101.8	104.3	106.1
関東甲信越	17.5	100.7	104.0	103.7
中部・関西	18.8	96.9	101.3	101.0
中国	15.4	102.6	107.1	110.5
四国	8.4	101.7	104.2	106.5
九州	0.8	106.6	123.6	111.5
合計	100.0	101.5	104.2	105.2

・中部・関西を中心に
インバウンド需要減の影響

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 1Q
ツルハ	101.5	103.0	104.1
くすりの福太郎	99.2	103.1	99.2
TGN	102.3	108.2	110.2
レデイ薬局	102.7	104.3	107.9
杏林堂薬局		104.8	106.3
B&D			106.2
合計	101.5	104.2	105.2

・都心部・繁華街店舗の不振（くすりの福太郎）
・販促施策の変更が奏功（TGN、レデイ薬局）
密を招く大型チラシ販促に代わり
一定期間にわたるクーポン施策等の実施

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An overview of sales by region and company is provided on page eight.

Looking at sales by region, the decrease in inbound demand has had a major impact in Chubu and Kansai regions, mainly stores in the Chubu and Kansai regions of Tsuruha Drug.

By company, comparable store sales at Kusuri no Fukutaro, which has many stores located in central Tokyo and in office districts, fell below YoY.

Regarding TGN (Tsuruha Group Drug & Pharmacy Nishinihon Inc.) and Lady Drugstore, there are major sales promotion measures in July and August every year, but this fiscal year we took a longer period than usual to take into account the risk of infections and implemented coupon and point measures.

As a result, this has a positive impact on net sales.

商品群別実績（連結）

2021年5月期 第1四半期決算説明会資料
株式会社ツルハホールディングス

（百万円 / %）

		売上高	前期比	構成比	売上総利益率	前年増減
商品	医薬品	44,815	100.3	20.0	41.6	0.0
	調剤	21,090	102.8	9.4	37.5	+0.3
	OTC	23,724	98.2	10.6	45.3	0.0
	化粧品	32,450	86.6	14.4	33.8	+0.8
	日用雑貨	64,959	115.1	28.9	27.3	+1.7
	食品	53,032	112.3	23.6	14.9	△0.1
	その他	28,428	128.7	12.7	32.8	+1.8
	商品合計	223,685	107.6	99.6	28.9	+0.3
合計		224,623	107.6	100.0	29.0	+0.4

※ 通信販売を含む

医薬品

- インバウンド需要の減少
- かぜ薬、ドリンク剤等の不振

化粧品

- 制度品を中心に苦戦が続くが、特定ブランドが利益を支えた

（参考）商品群「その他」の内訳 （百万円 / %）

	売上高 ※POSベース	前期比	対商品合計構成比
健康食品	8,062	102.3	3.6
医療用品・介護	15,021	180.5	6.8
育児用品	5,222	94.6	2.4

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Page nine shows the results by product group.

By product category, both sales and gross profit margin grew significantly in miscellaneous daily necessities and other categories due to the impact of the coronavirus. Other items include masks and hand sanitizers for medical products. Daily necessities also include wet tissue and hand soaps, as well as some of the hand sanitizers.

On the other hand, sales of OTC pharmaceuticals fell below YoY due to a decline in inbound demand and sluggish sales of cold medicine and nutritional supplement drinks. Cosmetics also continued to struggle, particularly for price-maintained merchandise. However, for certain brands, the sales keep a single-digit decline and the gross profit margin increases. The gross profit margin for the entire product rose 0.4%.

調剤部門実績

(百万円 / %)

	前年同期実績	当期実績	前年比
調剤報酬額（百万円）	20,525	21,090	102.8
総利益率（%）	37.2	37.5	+0.3
処方箋枚数（千枚）	2,065	1,939	93.9
単価（円）	9,936	10,875	109.5

事業会社別　調剤店舗数

	前年同期末	当四半期末	(内訳)	
			併設	専門
ツルハ	288	290	253	37
くすりの福太郎	96	99	40	59
TGN	92	94	74	20
レデイ薬局	54	53	29	24
杏林堂薬局	67	67	54	13
B&D	18	20	14	6
国内計	615	623	464	159

- 新型コロナウイルスの影響により引き続き枚数減少・単価上昇の傾向
- 服薬指導などの対人業務を強化
- 後発医薬品の使用推進

（参考）直近の処方箋枚数・単価・売上推移

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Page 10 shows the details of the dispensing.

The graph is shown at the lower right. Since March, the number of prescriptions has been decreasing and the unit price has been rising. Through August, the rate of increase in unit prices has gradually been small, and the situation has stabilized. The number of prescriptions fluctuates slightly from month to month due to the effects of the weekdays and holidays, but the extent of the negative is gradually decreasing.

In addition, the gross profit margin was positive 0.3%, and the impact of the revision in April was relatively minor. In addition, there are factors such as receiving technical fee by promoting the use of generics. The result was a positive 0.3%.

プライベートブランド販売実績

2021年5月期 第1四半期決算説明会資料
株式会社ツルハホールディングス

PB区分別実績 (百万円 / %)

前期第1四半期発表のPB実績計上に誤りがありました。
下表は修正後の数値で作成しております。

	売上高			売上構成比 ※対 調剤除く商品売上		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	1,741	5,249	301.4	2.6	+1.7	46.6	△1.2
エムズワン・メディズワン	6,628	4,678	70.6	2.3	△1.2	40.2	△4.2
小計	8,370	9,927	118.6	4.9	+0.4	43.6	△1.5
専売品・企業限定品	5,838	5,653	96.8	2.8	△0.3	45.5	△1.0
合計	14,208	15,581	109.7	7.7	+0.1	44.3	△1.4

	SKU数			
	くらしリズムシリーズ	エムズワン・メディズワン	専売品・企業限定品	合計
医薬品	66	68	652	786
食品	37	104	375	516
医療用品	137	137	129	403
育児用品	2	7	15	24
化粧品	64	8	172	244
日用品	245	90	356	691
計	551	414	1,699	2,664

売上高
- 新型コロナウイルス関連商品が伸長
- 専売品・企業限定品は前年割れ
（医薬品の売上減が影響）

粗利率
- マスクの粗利率低下（原価高騰）
- 医薬品の構成比低下
- ドリンク・日焼け止めなど
主力の春夏商品の不振

SKU数
- くらしリズム商品
期首比　+49SKU

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Page 11 shows our track record of private brand products.

For the PB as a whole, net sales increased 9.7% and the composition ratio was positive 0.1 % YoY. Gross profit margin was negative for each PB category. However, since the gross profit margin is 44% and the overall PB, we recognize that it contributes to the gross profit margin of the entire product. This is a factor behind the decline in the gross profit margin.

First of all, the cost of PB masks has risen very sharply recently. As a result, the gross profit margin is declining. In addition, sluggish sales of pharmaceuticals and seasonal products were also affected.

In particular, products such as nutritious drinks, Ezooace and sunscreen, Orezo-White products, which are included in proprietary products and products limited to companies, are extremely mainstay in the form of priority products. However, these products have fallen below YoY due to seasonal factors.

販売費および一般管理費

(百万円 / %)

		2019年5月期 1Q	前年比	2020年5月期 1Q	前年比	2021年5月期 1Q	前年比
人件費	金額	21,518	127.7	24,157	112.3	**25,570**	105.8
	売上比	11.3	+0.5	11.6	+0.3	**11.4**	△0.2
販売促進費	金額	1,645	152.4	1,563	95.0	**2,106**	134.7
	売上比	0.9	+0.2	0.8	△0.1	**0.9**	+0.1
地代家賃等	金額	9,771	113.5	10,927	111.8	**11,331**	103.7
	売上比	5.1	△0.4	5.2	+0.1	**5.0**	△0.2
その他経費	金額	9,613	127.1	10,548	109.7	**10,904**	103.4
	売上比	5.0	+0.1	5.0	0.0	**4.9**	△0.1
販売費・一般管理費	金額	42,549	124.8	47,197	110.9	**49,913**	105.8
	売上比	22.3	+0.4	22.6	+0.3	**22.2**	△0.4

人件費

- 労働時間の適正化、時間外手当の削減等により**人件費率が改善**

販売促進費

- **ポイント引当金**計上の影響
(新型コロナウイルス対策による販促施策の変更に伴う一過性要因)

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Details of SG&A expenses are shown on page 12.

The ratio of SG&A expenses to net sales improved 0.4%. It has been completed at 22.2%. I have listed four items. Although the amount is not that large, the growth in sales promotion expenses is large. This is mainly expenses related to the provision for point card certificates. Due to changes in sales promotion measures, the balance of unused points as of August 15 -- the end of the first quarter -- temporarily increased. The effect of this is being shown as an expense. This is expected to be eliminated from the second quarter onward by customers' using points and we consider this to be a temporary factor.

This is the end of an explanation of our business performance.

Additionally, for the summary of the balance sheet described in the supplementary material on financial results, et cetera, the balance as of May 31 -- the end of the first quarter -- of JR Kyushu Drug Eleven Co., Ltd. is included. Also, we close on the 15th of the month and August 15th will be the end of the first quarter, but this is Saturday. There are a number of accounts that are affected by holidays at financial institutions, so please keep this in mind in this regard.

That is all from me in the first half. Following this, Murakami will explain.

2021年5月期計画（上期・下期）

2021年5月期 第1四半期決算説明会資料
株式会社ツルハホールディングス

（百万円 / %）

	当期計画	構成比	前年比	上期計画	構成比	前年比	下期計画	構成比	前年比
売上高	860,000	100.0	102.3	424,400	100.0	101.9	435,600	100.0	102.6
売上総利益	252,800	29.4	103.5	123,750	29.2	103.5	129,050	29.6	103.5
販売費・一般管理費	207,600	24.1	104.2	102,200	24.1	106.6	105,400	24.2	101.9
営業利益	45,200	5.3	100.4	21,550	5.1	90.7	23,650	5.4	111.3
経常利益	46,484	5.4	100.4	22,193	5.2	90.8	24,291	5.6	111.1
親会社株主に帰属する当期純利益	27,000	3.1	96.8	13,480	3.2	86.7	13,520	3.1	109.5

通期計画の前提
- 新型コロナ関連の需要は織り込んでいない
- インバウンド売上はゼロの前提
- ドラッグイレブンの連結影響は含まない
- 既存店前提＋0.3％（上期+0.4／下期+0.2）
- 最終利益は、前期所得拡大税制適用により高いハードル（今期は対象外見込）

上期　前期要因
- 消費増税に伴う駆け込み需要のハードル
- インバウンド実績6か月分が今期は剥落

下期　前期要因
- 新型コロナウイルス感染拡大に伴う需要増
- 特別感謝金支給（約30億円）

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Murakami: Now, let me explain the initiatives and policies for the fiscal year under review from Murakami. See page 14 in the next section.

First, the figures are the results forecast for the current fiscal year, which was explained at the financial results briefing on June 22, and the details will be omitted because they are unchanged. Among the assumptions listed on the left-hand side of the lower column, inbound tourism sales are almost zero as expected.

On the other hand, demand for coronavirus-related products, including staying home demand, was strong, and this was a factor that pushed up earnings.

2021年5月期　出店計画

2021年5月期 第1四半期決算説明会資料
株式会社ツルハホールディングス

地域別出店計画（連結）

	2020年5月期末	2021年5月期計画			
		開店	閉店	純増	期末店舗数
北海道	404	21	11	10	414
東北	506	29	3	26	532
関東甲信越	473	35	7	28	501
中部・関西	233	19	11	8	241
中国	300	14	3	11	311
四国	211	10	8	2	213
九州	23	2	4	△2	21
国内計	2,150	130	47	83	2,233

会社別出店計画（連結）

	2020年5月期末	2021年5月期計画			
		開店	閉店	純増	期末店舗数
ツルハ	1,253	84	27	57	1,310
くすりの福太郎	230	15	5	10	240
TGN	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
TGMD（EC本部）	1	-	-	0	1
国内計	2,150	130	47	83	2,233

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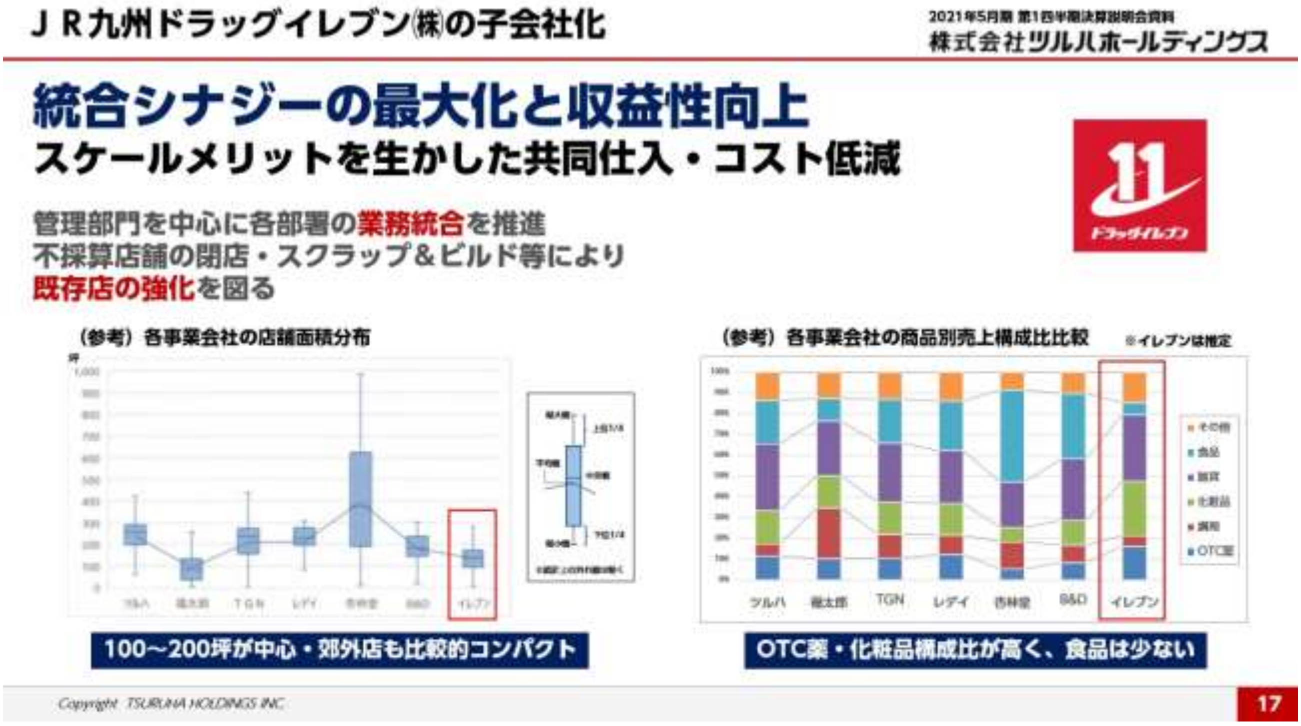
Next, please refer to page 15 regarding the opening of new stores.

There is no change in the plan for store openings as well. Therefore, I will omit the detailed explanation.

The number of pharmacies is expected to be 2,233 at the end of the fiscal year. As explained earlier by Yamazaki, with the addition of Drug Eleven, the number of pharmacies is expected to be 2,436, including 203 pharmacies.

Please see the next page.

In the current fiscal year, we have set forth five initiatives as described above. I will explain the progress for each of them.



First, in regard to making Drug Eleven a subsidiary, please refer to page 17.

We have been proceeding with integration work at the practical level with Drug Eleven, which joined the Group on May 28, in order to realize synergies at an early stage.

Specifically, we plan to start joint purchasing on September 16 this week, which we believe will allow us to achieve certain cost reductions. In addition, we have also prepared roadmaps for the Dispensing, Store Development, Systems, and Administrative Divisions, and are promoting PMI.

The bottom table shows Drug Eleven's store area and product mix. This is a comparison with other operating companies for your reference.

Please go to the next page. It is about utilizing smartphone apps and digital promotion.

We are currently vigorously promoting the download of our own apps, which will serve as the cornerstone of this effort. As a goal for the end of this fiscal year, we are currently setting a goal of downloading the app to 4 million of our approximately 11 million active members. Currently, we have about 1.3 million members downloading it. Progress is largely in line with the plan. At the end of the term, we hope to achieve our goal of 4 million people.

First, we have decided to quickly create a situation in which customers can utilize this app by downloading it as a point of contact with customers. At the same time, we will build a system that enables us to achieve highly accurate marketing that meets the needs of individual customers. We are promoting efforts to achieve results in the following fiscal year and beyond.

Please refer to page 19. Handling of meat and fruits and vegetables.

We are expanding the number of stores handling meat and fruit and vegetables. As shown in the materials, there were 360 stores at the end of the previous fiscal year, but in the first quarter we added 92 stores, bringing the total to 452. We are targeting a network of 630 stores by the end of this fiscal year.

Due in part to the impact of coronavirus, the need for one-stop shopping by customers has risen, contributing to sales growth at stores where the system has been introduced.

Next, I would like to discuss the expansion of our private brand, “Kurashi Rhythm”. As you can see, the number of SKUs is almost as planned. In addition, we are implementing a replacement with the former brand M's one. We will continue to strengthen product development to satisfy our customers.

Finally, the progress of the shift preparation support system, which has been introduced as a mechanism for optimizing personnel expenses. Currently, the system has already been introduced at all OTC stores of TSURUHA HOLDINGS INC.

Currently, we are conducting study meetings and optimizing operations while listening to the opinions of the frontline. We have begun to achieve certain results, such as optimizing overtime and managing the working hours of part-time employees. On September 16, we plan to begin introducing the system to dispensing pharmacies of TSURUHA HOLDINGS INC. as well and intend to expand it to other operating companies at the end of this fiscal year.

The next page is the target of the medium-term management plan, but there are no changes to this, so it will be omitted.

Please go to the next page. Finally, our approach to SDGs.

As a topic, we are charging for the plastic bags shown in the middle row on the right side of the material. As you have already known, the system started on July 1, 2020. We will donate the entire amount of revenue generated by charging for plastic bags. Donations to UNICEF and Japanese Red Cross Society are envisaged.

That's all for the financial results briefing. Thank you very much for your attention.

Document Notes

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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