



Financial Results Briefing for the Fiscal Year Ended May 2023

KUSURI NO AOKI HOLDINGS CO., LTD.

(TSE Prime Section Code 3549)

July 5, 2023

Hironori Aoki



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**Summary of Financial Results for
the Fiscal Year Ended May 2023 and
Earnings Forecast for the Fiscal Year
Ending May 2024**

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**Progress Status of the Third Medium-term
Management Plan (for five years)**



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Summary of Financial Results for the Fiscal Year Ended May 2023 and Earnings Forecast for the Fiscal Year Ending May 2024

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Summary of Financial Results for the Fiscal Year Ended May 2023

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Earnings Forecast for the Fiscal Year Ending May 2024

Store Opening/Closing Results



	No. of stores as at end of FY May 2022	Full-year store opening and closing results FY May 2023							No. of stores as at end of FY May 2023
		Hokushinetsu	Tohoku	Kanto	Tokai	Kansai	Opening total	Closing	
[1] Drugstores	819	29	16	19	14	12	90	13	896
[2] Attached dispensing pharmacies	460	20	9	19	9	9	66	0	526
[3] Dispensing pharmacies	6	-	-	-	-	-	0	0	6
[4] Other (SM)	1	-	-	-	-	-	0	0	1
Total number of stores ([1]+[3]+[4])	826	29	16	19	14	12	90	13	903

Ratio of stores with dispensaries

58.7%

* Ratio of stores with dispensaries is calculated based on the number of drugstores (excluding SM and dispensing pharmacies).

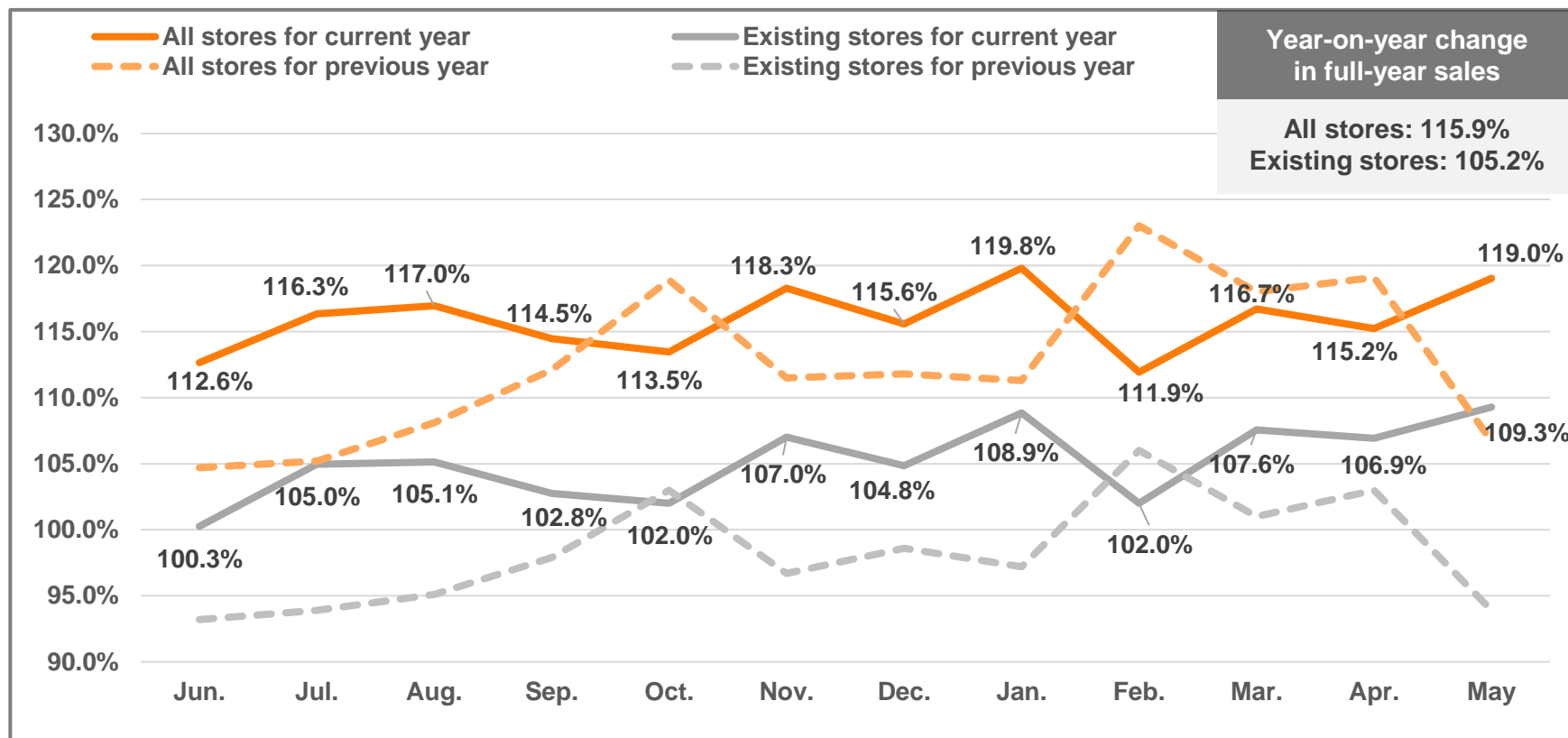
Point

Against the initial plan of opening 90 stores, 90 stores were actually opened.

→ Store opening rate to new areas (Kanto, Tohoku, Tokai, and Kansai) is 67.7%. (61/90)

Of 13 stores closed during the year under review, 7 stores were closed due to S&B (Scrap & Build).

Year-on-Year Change in Sales by the Month

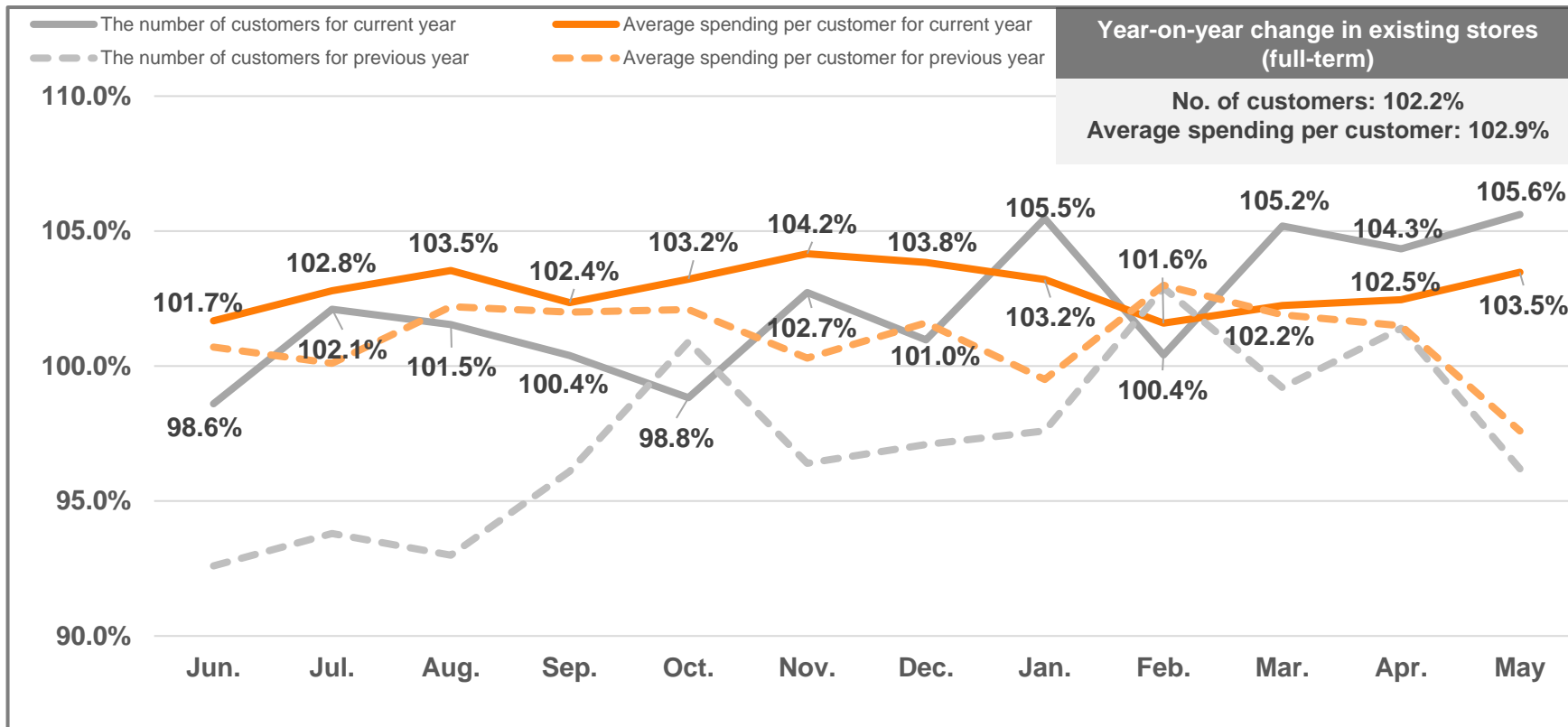


* Values of monthly sales performance do not include any of those for NALX Co., Ltd. and Fukuya Co., Ltd. in the business category of supermarket.

Point

Introduction of fresh food through EDLP measures and renovation brought positive effects. Strong sales of pharmaceuticals, price increase, and ease of restrictions on movement resulted in sales growth.

Year-on-Year Change in the Number of Customers and Unit Price per Customer by the Month



* Values of monthly sales performance do not include any of those for NALX Co., Ltd. and Fukuya Co., Ltd. in the business category of supermarket.

Point

Both the number of customers and the unit price per customer are performing well.



	FY May 2022		FY May 2023					
	Full-year results		Full-year plan		Full-year results			
	Million yen	Sales ratio	Million yen	Sales ratio	Million yen	Sales ratio	YoY change	vs. Plan
Sales	328,335	100.0%	360,000	100.0%	378,874	100.0%	115.4%	105.2%
Gross profit	89,762	27.3%	100,131	27.8%	106,107	28.0%	118.2%	106.0%
SGA expenses	75,692	23.1%	84,931	23.6%	90,810	24.0%	120.0%	106.9%
Operating income	14,070	4.3%	15,200	4.2%	15,296	4.0%	108.7%	100.6%
Ordinary income	15,785	4.8%	16,000	4.4%	19,129	5.0%	121.2%	119.6%
Net income	9,839	3.0%	10,800	3.0%	12,326	3.3%	125.3%	114.1%

Point

Sales: 115.4% Year-on-year, 105.2% vs Plan

Gross profit margin: +0.7 pt Year-on-year, +0.2 pt vs Plan

SGA ratio: +0.9 pt Year-on-year, +0.4 pt vs Plan

Recurring profit margin: +0.2 pt Year-on-year, +0.6 pt vs Plan



	FY May 2022				FY May 2023				
	Full-year results				Full-year results				
	Million yen	Composition ratio	Number of stores	Ratio of stores with dispensaries	Million yen	Composition ratio	YoY change	Number of stores	Ratio of stores with dispensaries
Hokushinetsu	161,993	49.3%	334	66.4%	178,733	47.2%	110.3%	356	67.9%
Tohoku	14,641	4.5%	47	46.8%	24,436	6.4%	166.9%	63	49.2%
Kanto	81,817	24.9%	237	50.6%	90,838	24.0%	111.0%	252	55.2%
Tokai	50,670	15.4%	148	47.3%	58,764	15.5%	116.0%	161	49.1%
Kansai	19,215	5.9%	60	51.7%	26,103	6.9%	135.8%	71	56.3%
Total	328,335	100.0%	826	56.2%	378,874	100.0%	115.4%	903	58.7%

* Ratio of stores with dispensaries is calculated based on the number of drugstores (excluding SM and dispensing pharmacies).

Point

Sales composition of new areas (Tohoku, Kanto, Tokai, and Kansai) exceeded 50%.



	FY May 2022		FY May 2023			
	Full-year results		Full-year results			
	Million yen	Composition ratio	Million yen	Composition ratio	Composition difference	YoY change
Health	36,409	11.1%	41,021	10.8%	-0.3%	112.7%
Beauty	48,241	14.7%	51,710	13.6%	-1.1%	107.2%
Daily commodities	69,091	21.0%	73,542	19.4%	-1.6%	106.4%
Food	139,059	42.4%	169,748	44.8%	2.4%	122.1%
Dispensing	35,531	10.8%	42,851	11.3%	0.5%	120.6%
Total	328,335	100.0%	378,874	100.0%	-	115.4%

Point

Impact of the 7th and 8th waves of COVID-19 caused sales of medicines to increase.

Sales of Beauty and Daily commodities showed delayed recovery in sales adversely affected by self-restraint from going out.

Strengthened sales of fresh food caused Food composition ratio to increase.



	FY May 2022		FY May 2023					
	Full-year results		Full-year plan		Full-year results			
	Million yen	Sales ratio	Million yen	Sales ratio	Million yen	Sales ratio	YoY change	vs. Plan
Labor cost	33,212	10.1%	35,556	9.9%	37,263	9.8%	112.2%	104.8%
Sales promotion cost	2,847	0.9%	3,359	0.9%	2,875	0.8%	101.0%	85.6%
Real estate cost	24,860	7.6%	28,256	7.8%	28,969	7.6%	116.5%	102.5%
Other expenses	14,771	4.5%	17,758	4.9%	21,701	5.7%	146.9%	122.2%
SGA expenses	75,692	23.1%	84,931	23.6%	90,810	24.0%	120.0%	106.9%

Point

Labor cost ratio: -0.3 pt Year-on-year, -0.1 pt vs Plan
 Sales promotion cost ratio: -0.1 pt Year-on-year, -0.1 pt vs Plan
 Real estate cost: +0.0 pt Year-on-year, -0.2 pt vs Plan
 Other expenses: +1.2 pt Year-on-year, +0.8 pt vs Plan

Balance Sheet



		As of May 20, 2022		As of May 20, 2023				
		Million yen	Composition ratio	Million yen	Composition ratio	Change from May 20, 2022	Increase/Decrease	
Assets	Cash and deposits	26,348	11.3%	42,870	15.6%	162.7%	16,522	
	Inventory assets	39,673	16.9%	45,498	16.5%	114.7%	5,825	
	Current assets	86,547	37.0%	113,740	41.4%	131.4%	27,193	
	Tangible fixed assets	126,404	54.0%	136,648	49.8%	108.1%	10,244	
	Intangible fixed assets	4,075	1.7%	4,896	1.8%	120.1%	821	
	Non-current assets	147,653	63.0%	160,561	58.5%	108.7%	12,908	
	Assets	234,201	100.0%	274,301	100.0%	117.1%	40,100	
	Liabilities and net assets	Notes and accounts payable	41,701	17.8%	52,526	19.1%	126.0%	10,825
		Current portion of long-term loans payable	9,742	4.2%	11,080	4.0%	113.7%	1,338
		Current portion of lease obligations	2,029	0.9%	2,328	0.8%	114.7%	299
Current liabilities		72,781	31.1%	90,669	33.0%	124.6%	17,888	
Long-term loans payable		59,907	25.6%	69,106	25.1%	115.4%	9,199	
Lease obligations		6,447	2.8%	6,982	2.5%	108.3%	535	
Non-current liabilities		74,489	31.8%	85,086	30.9%	114.2%	10,597	
Net assets		86,930	37.1%	98,546	35.9%	113.4%	11,616	
Liabilities and net assets	234,201	100.0%	274,301	100.0%	117.1%	40,100		



(Million yen)

	FY May 2022	FY May 2023	Increase/ Decrease
Cash flows from operating activities	20,286	31,249	10,963
Cash flows from investing activities	-27,771	-22,260	5,511
Cash flows from financing activities	18,098	7,533	-10,565
Cash and cash equivalents at the end of the period	26,348	42,870	16,522



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Summary of Financial Results for the Fiscal Year Ended May 2023

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Earnings Forecast for the Fiscal Year Ending May 2024



	No. of stores as at end of FY May 2023	Full-year store opening and closing plan FY May 2024							No. of stores as at end of FY May 2024
		Hokushinetsu	Tohoku	Kanto	Tokai	Kansai	Opening Total	Closing	
[1] Drugstores	896	26	6	24	4	10	70	5	961
[2] Attached dispensing pharmacies	526	20	9	17	14	10	70	0	596
[3] Dispensing pharmacies	6	-	-	-	-	-	0	0	6
[4] Other (SM)	1	-	-	-	-	-	0	0	1
Total number of stores ([1] + [3] + [4])	903	26	6	24	4	10	70	5	968

Ratio of stores with dispensaries

62.0%

* Ratio of stores with dispensaries is calculated based on the number of drugstores (excluding SM and dispensing pharmacies).

Point

70 stores are planned to be opened.

→Store opening rate to new areas (Tohoku, Kanto, Tokai, and Kansai) is 62.8%. (44/70)

70 dispensing pharmacies are to be opened. (Parallel establishment rate is expected to reach 62.0%.)



	FY May 2023			FY May 2024			
	Full-year results (Million yen)			Full-year plan (Million yen)			
	Acquisition	Lease assets	Total	Acquisition	Lease assets	Total	YoY change
Store investment (New opening)	23,124	2,709	25,832	17,028	2,083	19,111	74.0%
Store investment (Renovation)	2,228	29	2,257	2,367	-	2,367	104.9%
System investment	389	-	389	506	-	506	130.1%
Other	1,916	-	1,916	9,614	-	9,614	501.8%
Total	27,658	2,738	30,395	29,515	2,083	31,598	104.0%

Depreciation	11,374	11,615
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* Lease refers to the amount of lease asset worth 3 million yen or more.

* Depreciation indicates the amount actually depreciated including those reclassified to non-operating expenses (rent cost).

* Depreciation represents the amount excluding the portion associated with asset retirement obligations.



	FY May 2023 Full-year results		FY May 2024 Full-year plan		
	Million yen	Sales ratio	Million yen	Sales ratio	YoY change
Sales	378,874	100.0%	410,000	100.0%	108.2%
Gross profit	106,107	28.0%	113,326	27.6%	106.8%
SGA expenses	90,810	24.0%	95,526	23.3%	105.2%
Operating income	15,296	4.0%	17,800	4.3%	116.4%
Ordinary income	19,129	5.0%	18,200	4.4%	95.1%
Net income	12,326	3.3%	13,000	3.2%	105.5%

Point

Sales: 108.2% year-on-year
 Gross profit margin: -0.4 pt year-on-year
 SGA ratio: -0.7 pt year-on-year
 Operating profit margin: +0.3 pt year-on-year

Full-Year Earnings Forecast (1H/2H)



	FY May 2024 Full-year plan					
	1H plan			2H plan		
	Million yen	Sales ratio	YoY change	Million yen	Sales ratio	YoY change
Sales	200,000	100.0%	108.5%	210,000	100.0%	107.9%
Gross profit	55,472	27.7%	106.8%	57,853	27.5%	106.8%
SGA expenses	47,472	23.7%	108.8%	48,053	22.9%	101.9%
Operating income	8,000	4.0%	96.6%	9,800	4.7%	139.6%
Ordinary income	8,200	4.1%	72.9%	10,000	4.8%	127.0%
Net income	5,950	3.0%	75.1%	7,050	3.4%	160.2%



	FY May 2023				FY May 2024				
	Full-year results				Full-year plan				
	Million yen	Composition ratio	Number of stores	Ratio of stores with dispensaries	Million yen	Composition ratio	YoY change	Number of stores	Ratio of stores with dispensaries
Hokushinetsu	178,733	47.2%	356	67.9%	191,298	46.7%	107.0%	381	68.7%
Tohoku	24,436	6.4%	63	49.2%	28,055	6.8%	114.8%	69	58.0%
Kanto	90,838	24.0%	252	55.2%	97,027	23.7%	106.8%	276	56.5%
Tokai	58,764	15.5%	161	49.1%	64,068	15.6%	109.0%	164	56.7%
Kansai	26,103	6.9%	71	56.3%	29,552	7.2%	113.2%	78	64.1%
Total	378,874	100.0%	903	58.7%	410,000	100.0%	108.2%	968	62.0%

* Ratio of stores with dispensaries is calculated based on the number of drugstores (excluding SM and dispensing pharmacies).

Point

Strengthen dominance in areas where we operate our stores.



	FY May 2023		FY May 2024			
	Full-year results		Full-year plan			
	Million yen	Composition ratio	Million yen	Composition ratio	Composition difference	YoY change
Health	41,021	10.8%	40,967	10.0%	-0.8pt	99.9%
Beauty	51,710	13.6%	56,519	13.8%	0.2pt	109.3%
Daily commodities	73,542	19.4%	78,736	19.2%	-0.2pt	107.1%
Food	169,748	44.8%	188,277	45.9%	1.1pt	110.9%
Dispensing	42,851	11.3%	45,500	11.1%	-0.2pt	106.2%
Total	378,874	100.0%	410,000	100.0%	-	108.2%



	FY May 2023		FY May 2024		
	Full-year results		Full-year plan		
	Million yen	Sales ratio	Million yen	Sales ratio	YoY change
Labor cost	37,263	9.8%	39,470	9.6%	105.9%
Sales promotion cost	2,875	0.8%	3,163	0.8%	110.0%
Real estate cost	28,969	7.6%	30,161	7.4%	104.1%
Other expenses	21,701	5.7%	22,732	5.5%	104.7%
SGA expenses	90,810	24.0%	95,526	23.3%	105.2%

Point

Low-cost operation will continue.

With utility costs remaining high, other expenses will continue to be at high levels.

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Progress Status of the Third Medium-term Management Plan (for five years)

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Overview

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Results of efforts Made for Two Years and Outlook for the Third Year

Make Life More Convenient, Smile All the Times

Aiming to become a drugstore that supports “convenient life”
and “health that makes you smile” in your town





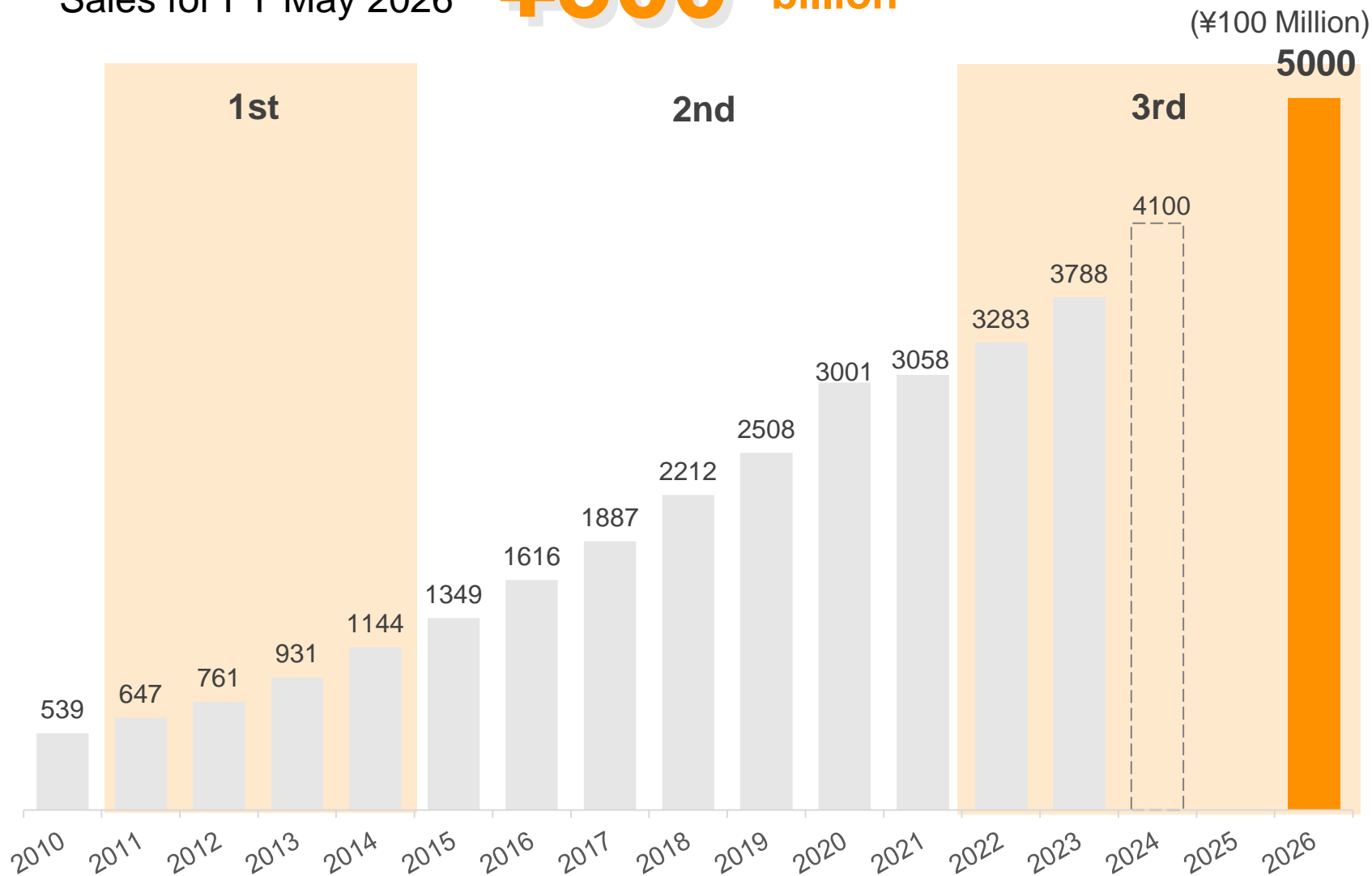
1 Transformation to Food & Drug

2 Parallel establishment rate 70%

3 Shift toward the dominant strategy



Sales for FY May 2026 **¥500 billion**



* Effective from the beginning of the fiscal year ended May 2022, the Company adopted the "Accounting Standard for Revenue Recognition".



2

Progress Status of the Third Medium-term Management Plan (for five years)

| 1

Overview

| 2

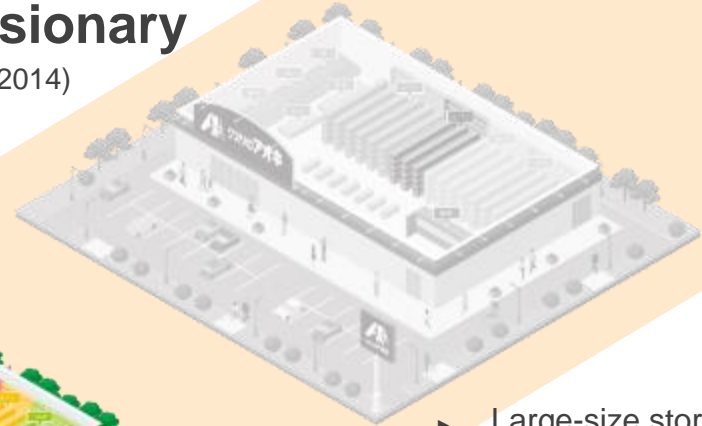
Results of efforts Made for Two Years and Outlook for the Third Year



- Starting from October 2020, the 400-tsubo-format has been added as a next-generation format.

450-tsubo-format concessionary

(From 2014)



- ▶ Large-size store
- ▶ Store opening rate: 10%
- ▶ Suburb, countryside

NEW

400 tsubo

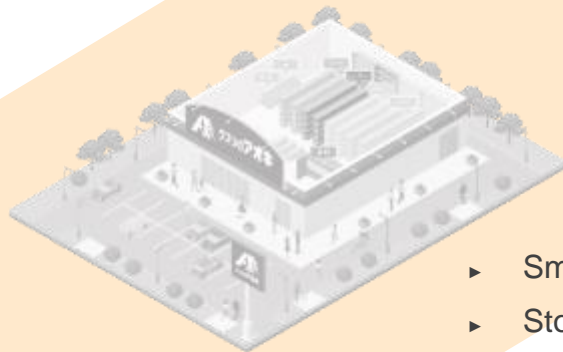
(From 2020)



- ▶ Medium-size store
- ▶ Store opening rate: 50% (ideal)
- ▶ Suburb, countryside

300 tsubo

(From 2010)



- ▶ Small-size store
- ▶ Store opening rate: 40%
- ▶ Suburb, residential district

Strong Point of 400-tsubo-format



- Offering fresh food has enabled our customers to enjoy one-stop shopping.
- Covering the drugstore market as well as the dispensing and supermarket markets (markets exceeding 30 trillion yen)
- Standardized format that allows for multiple store expansion



Fresh Food Roll-out in Existing Stores



- Fresh food know-how acquired through the development of the 400-tsubo-format has been applied to the 300-tsubo-format
- Renovation plan to introduce fresh food into existing 300-tsubo stores over 3 years (approx. 600 stores)

400 tsubo



Produce

Meat



300 tsubo



No. of renovated stores

(As of the end of FY May 2023)

252 stores

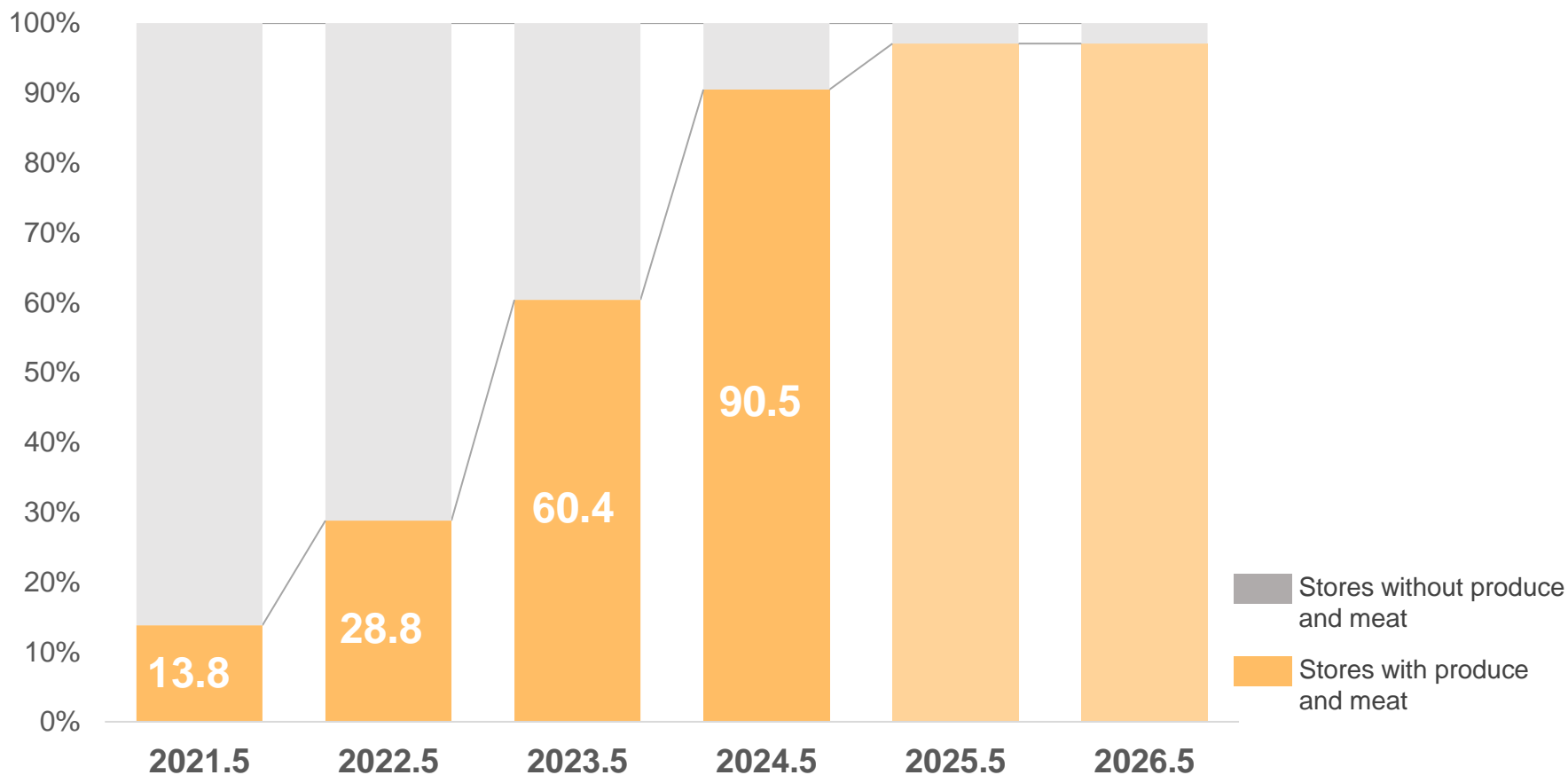


Percentage of Produce and Meat Sections Introduced



- Renovate 300-tsubo format and introduce produce and meat sections.
- By the end of FY May 2025, make all stores, except small stores, food and drug stores.

Ratio of stores with produce and meat sections to total number of stores





- Review store man-hours (shift initiative from headquarters to store operations department) to lower labor cost ratio
- Reduce man-hours required for sales floor changes by shifting to EDLP and strengthening regular item sales floors

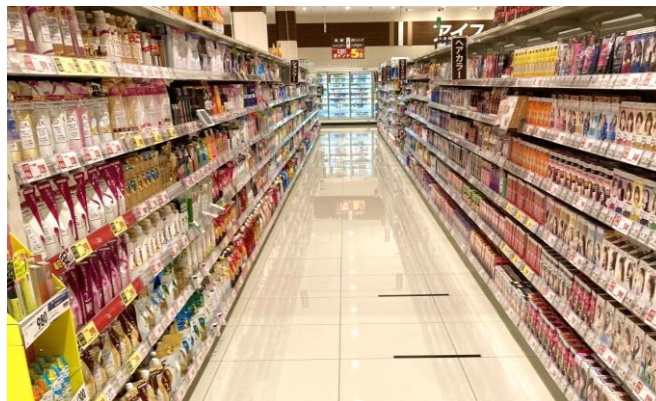
Sales promotion measures



Transition from High-Low to EDLP (Everyday Low Price)

- Promote “Bargain basement prices, everyday” in flyers.
- Expand fresh food space in flyers.

Sales floor



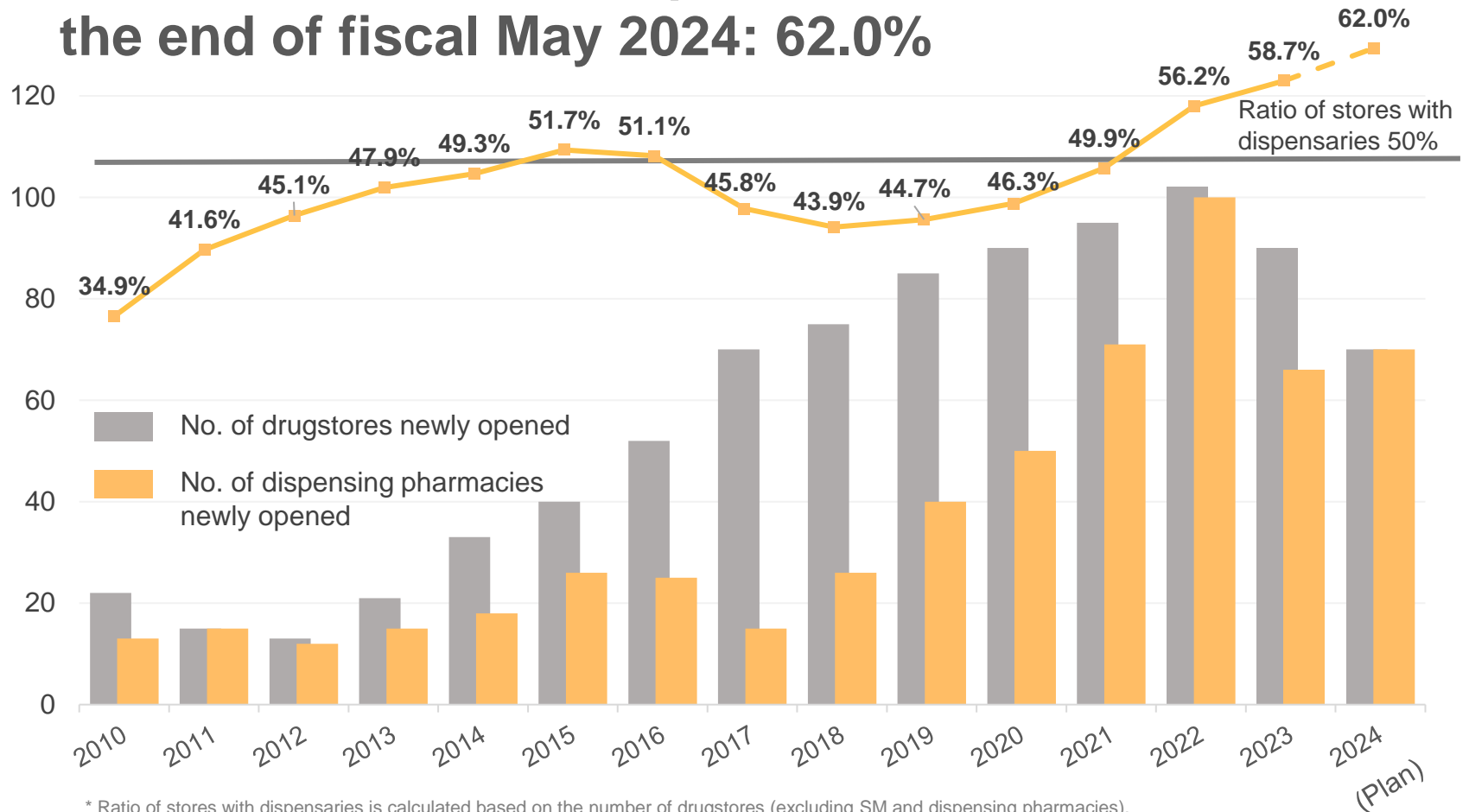
Strengthening regular item sales floor

- Reduce space for promotional products and expand space for regular items.
- Reduce man-hours required for sales floor changes.



- Aim to achieve ratio of stores with dispensaries of 70% by fiscal May 2026.
- 66 stores opened in fiscal May 2023 (Plan unachieved), 70 stores are planned to be opened in fiscal May 2024.

Ratio of stores with dispensaries at the end of fiscal May 2024: 62.0%



* Ratio of stores with dispensaries is calculated based on the number of drugstores (excluding SM and dispensing pharmacies).

New Graduate Recruitment Status



- In fiscal May 2023, 818 new graduates were hired
- For fiscal May 2024, 880 persons are planned to be hired.

Pharmacist recruitment



143 persons

Career positions recruitment



675 persons

Mynavi Popular Company Ranking Hokuriku area



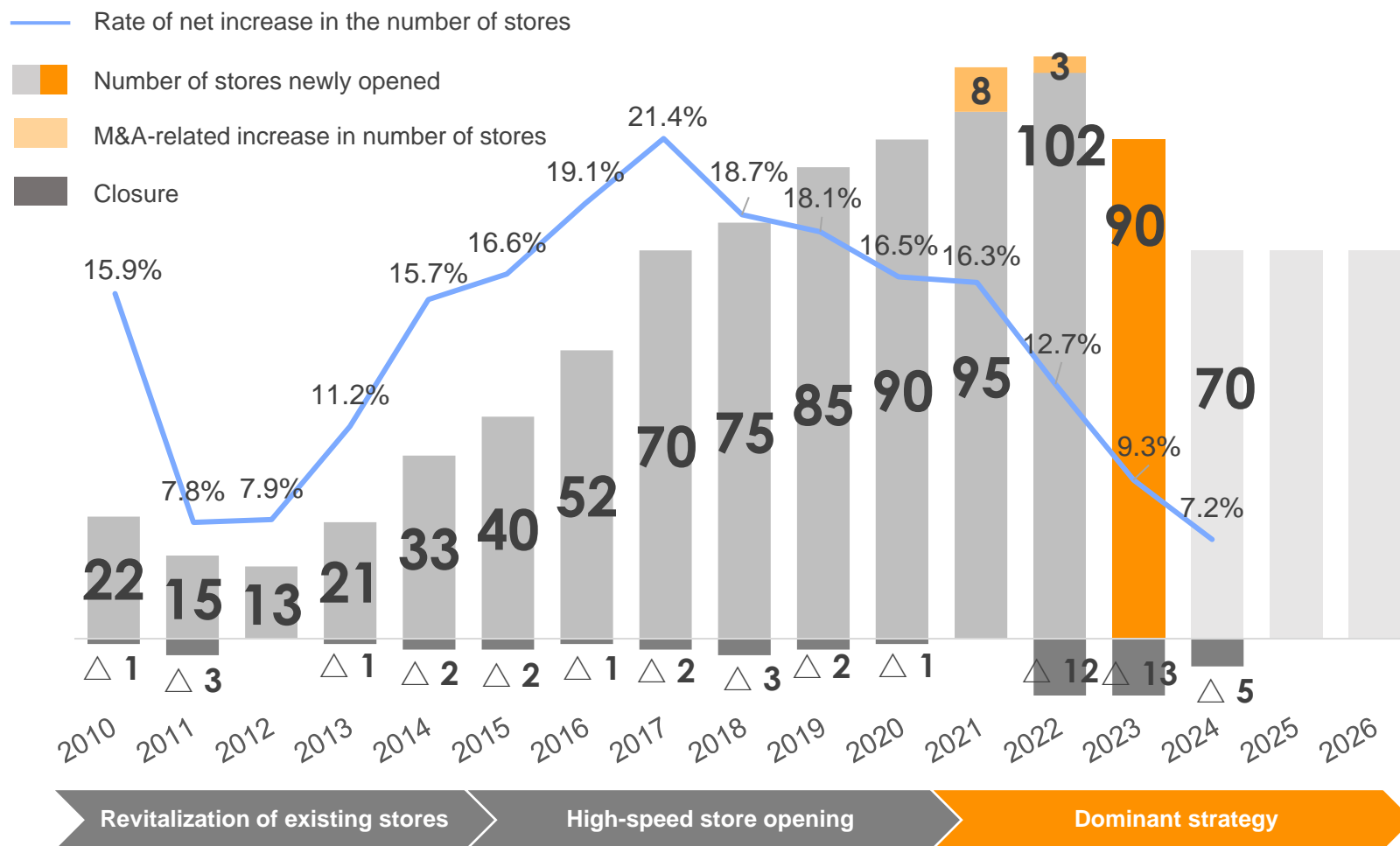
**Ranked first place
for the third
straight year.**

(2022, 2023 and 2024 graduates)

Trends in Number of Newly Opened Stores and Store Opening/Closing Rate

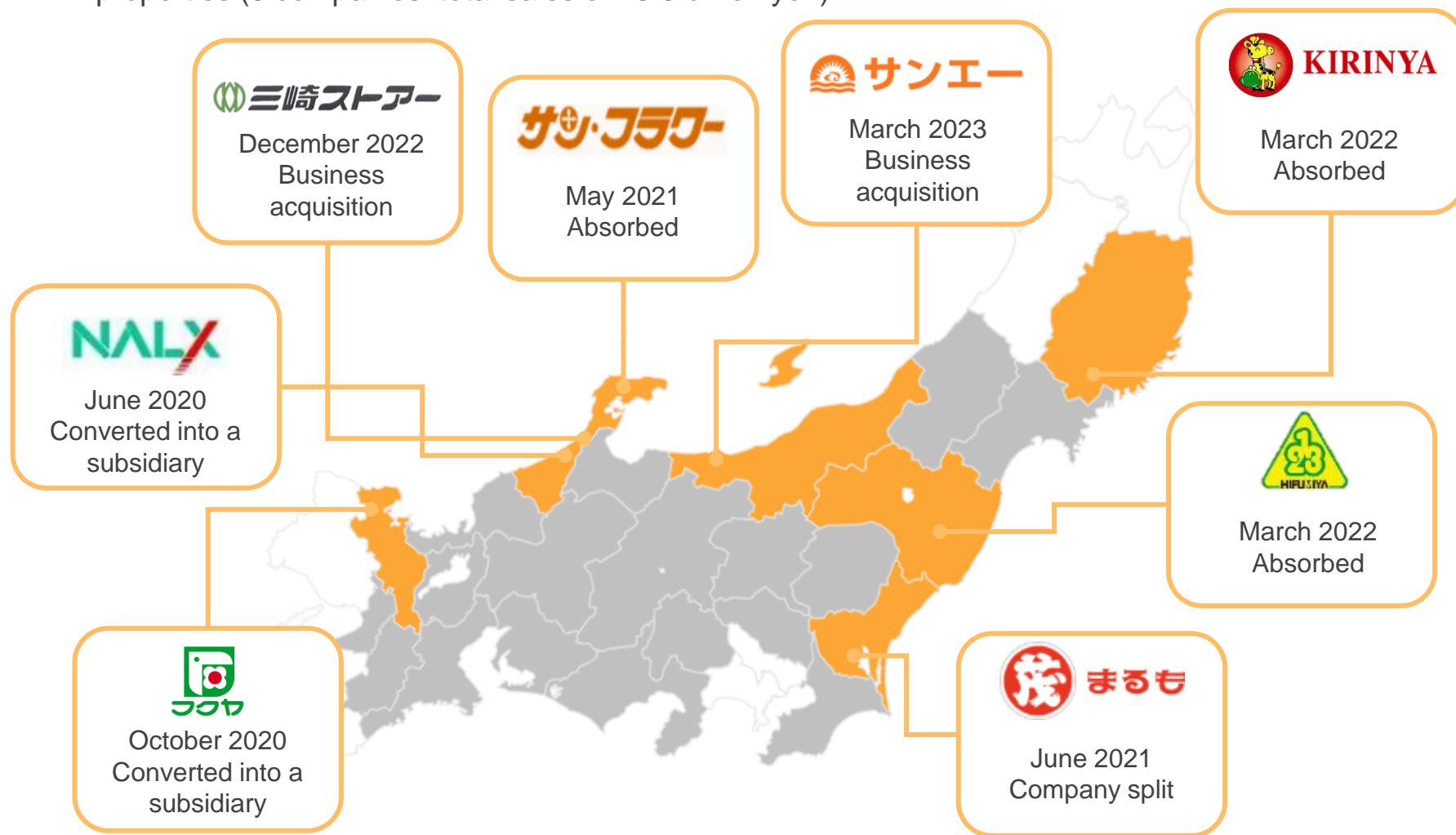


- Shift from area expansion and high-speed store opening to multiple stores in the sales areas
- Openings of 70 new stores and 70 pharmacies, and renovation of 250 existing stores are planned.
- Total investment will amount to a record high of 31.5 billion yen (for fiscal May 2024).





- Since the start of M&A in fiscal May 2021, a total of 8 companies have been converted into our subsidiaries or absorbed.
- The purpose is to strengthen fresh food merchandizing in each area and to secure well located properties (8 companies: total sales of 26.0 billion yen).

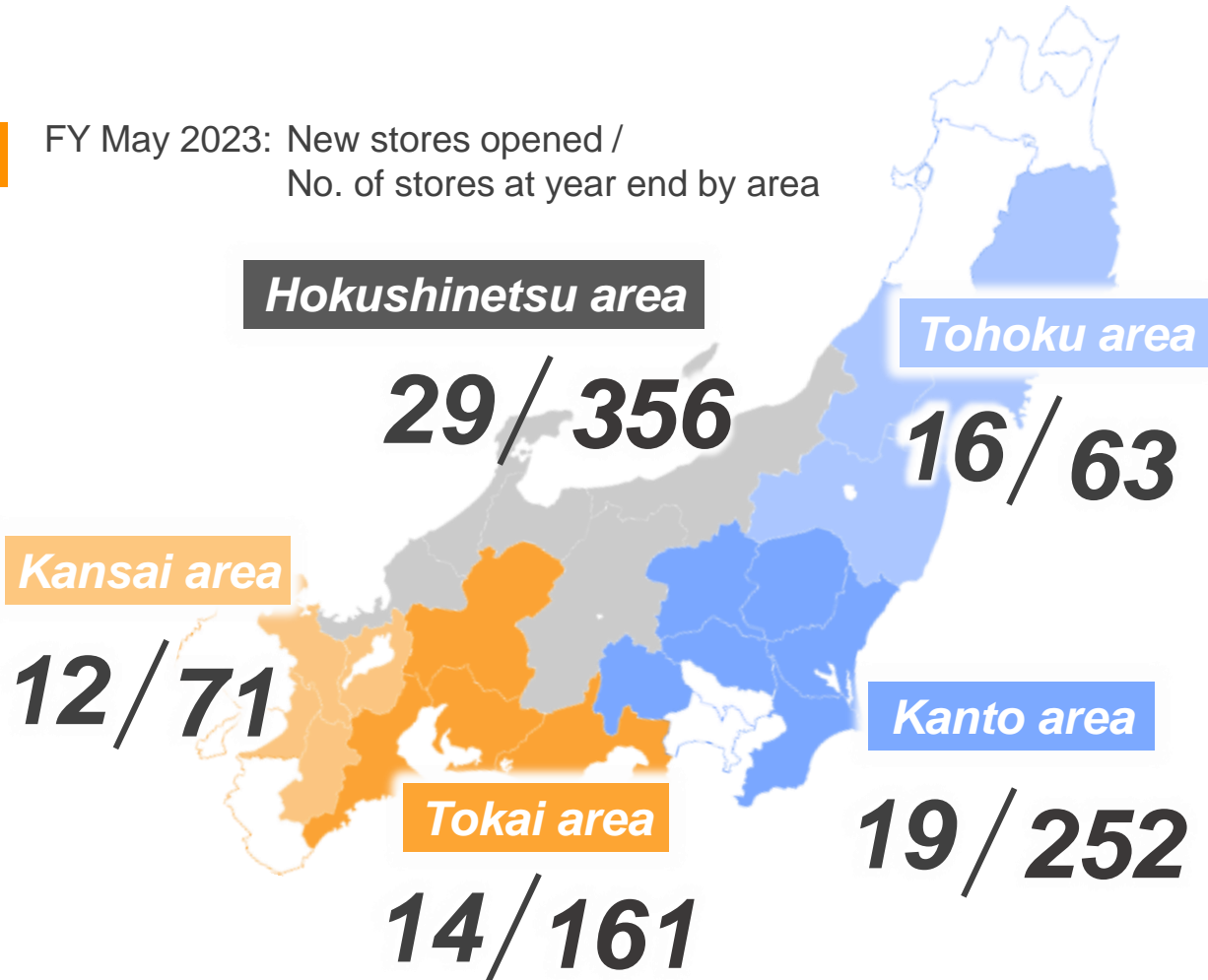


Store Opening Results for FY May 2023



- Since fiscal May 2022, we have strengthened dominant strategy in the current sales areas.
- Focus on store opening in 5 areas through M&A and by other means

FY May 2023: New stores opened /
No. of stores at year end by area



All areas

Newly Opened	Year End
90	903

Dispensing

Opened	Year End
66	532

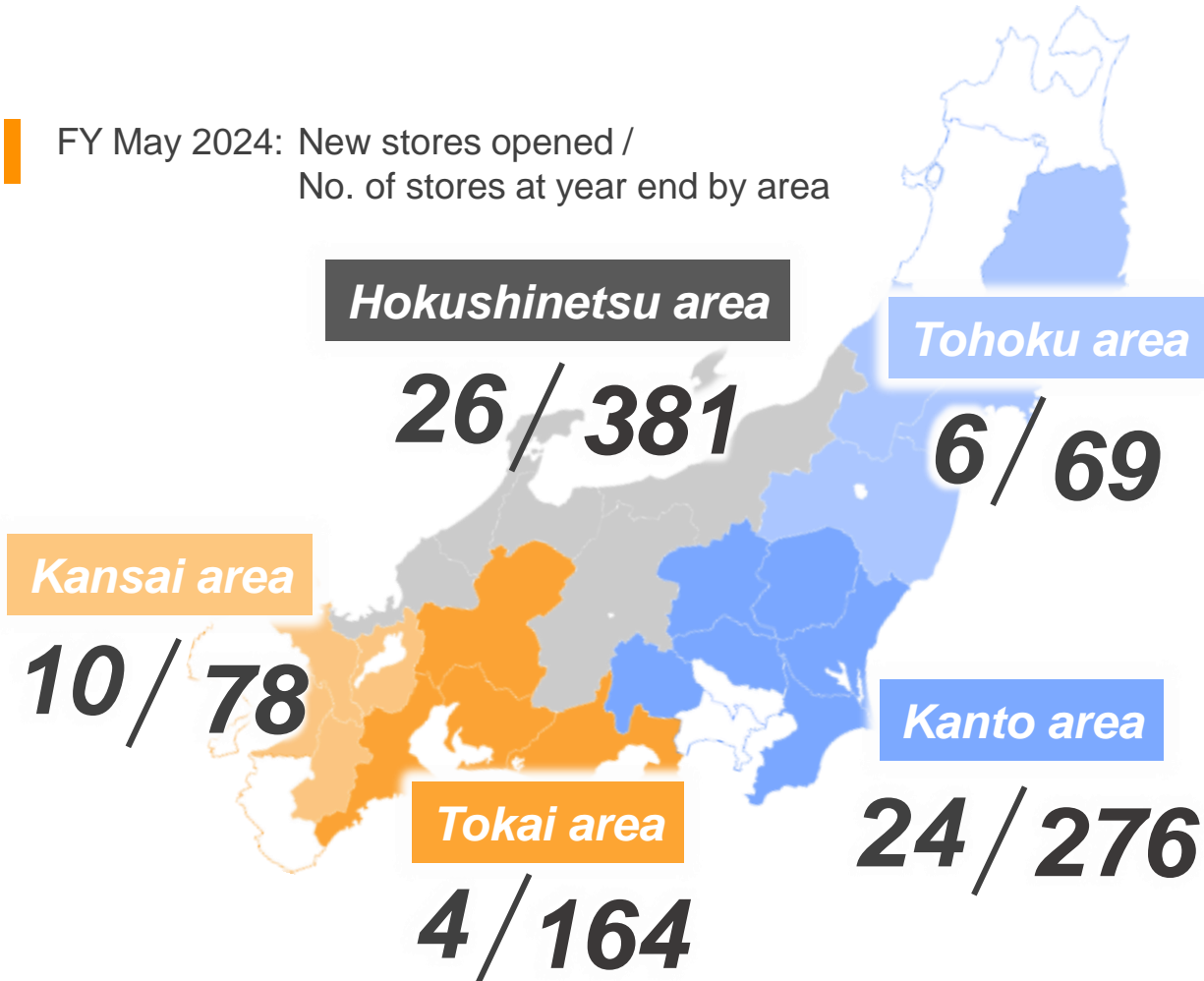
Including 6 dedicated dispensing pharmacies

Store Opening Plan for FY May 2024



- High opening rates in the Hokushinetsu and Kanto areas
- We will continue to focus on the opening of stores with the food-centered format.

FY May 2024: New stores opened /
No. of stores at year end by area



All areas

To Be Newly Opened	Year End
70	968

Dispensing

Opened	Year End
70	602

Including 6 dedicated dispensing pharmacies

Managing cost increases: Introduction of solar power generation



- Measures to address the most important issue of rising electricity costs and efforts to tackle environmental issues
- Solar power generation system is to be introduced to 800 stores over three years (until FY May 2026).

No. of stores with the system installed in FY May 2024

500
stores

Investment amount for FY May 2024

 **¥8.0**
billion

CO2 reduction in FY May 2026

50,000 t/year





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SGA expenses	75,692	23.1%	84,931	23.6%	90,810	24.0%	120.0%	106.9%
Operating income	14,070	4.3%	15,200	4.2%	15,296	4.0%	108.7%	100.6%
Ordinary income	15,785	4.8%	16,000	4.4%	19,129	5.0%	121.2%	119.6%
Net income	9,839	3.0%	10,800	3.0%	12,326	3.3%	125.3%	114.1%

Point

- Store opening: Opening 90 stores, 66 pharmacies
- Sales: 378.8 billion yen (115.4% year-on-year, existing stores 105.2% (98.3% vs Plan))
- Gross profit margin: 28.0% (+0.7 pt year-on-year)
- SGA ratio: 24.0% (+0.9 pt year-on-year)
- Labor cost ratio: 9.8% (-0.3 pt year-on-year), Other expenses ratio 5.7% (+1.2 pt year-on-year)
- Operating income: 15.2 billion yen (108.7% year-on-year), Operating profit margin 4.0% (-0.3 pt year-on-year)
- Ordinary income: 19.1 billion yen (121.2% year-on-year), Recurring profit margin 5.0% (+0.2 pt year-on-year)



	FY May 2022		FY May 2023		FY May 2024		
	Full-year results		Full-year results		Full-year plan		
	Million yen	Sales ratio	Million yen	Sales ratio	Million yen	Sales ratio	YoY change
Sales	328,335	100.0%	378,874	100.0%	410,000	100.0%	108.2%
Gross profit	89,762	27.3%	106,107	28.0%	113,326	27.6%	106.8%
SGA expenses	75,692	23.1%	90,810	24.0%	95,526	23.3%	105.2%
Operating income	14,070	4.3%	15,296	4.0%	17,800	4.3%	116.4%
Ordinary income	15,785	4.8%	19,129	5.0%	18,200	4.4%	95.1%
Net income	9,839	3.0%	12,326	3.3%	13,000	3.2%	105.5%

Point

- Store opening: Opening 70 stores, 70 pharmacies
- Sales: 410.0 billion yen (108.2% year-on-year, existing stores 103.1%)
- Gross profit margin: 27.6% (-0.4 pt year-on-year)
- SGA ratio: 23.3% (-0.7 pt year-on-year)
- Labor cost ratio: 9.6% (-0.2 pt year-on-year), Other expenses ratio 5.5% (-0.2 pt year-on-year)
- Operating income: 17.8 billion yen (116.4 % year-on-year), Operating profit margin 4.3% (+0.3 pt year-on-year)



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The forward-looking statements in this document, including earnings forecasts, are based on information currently available to the Company and certain assumptions that the Company believes to be reasonable and are not intended as a guarantee that the Company will achieve these goals. Actual results may differ materially due to a variety of factors.