



Financial Results for Q2 of FYE May 2022 (June 1, 2021 to November 30, 2021)

January 13, 2022

The earnings forecasts in this document are based on the business environment as of the time of writing. Actual results may differ from projections due to a variety of factors. Note also that inquiries should be submitted in Japanese.

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Consolidated Results for H1 of FYE May 2022

1. Consolidated Statement of Income for H1 of FYE May 2022

	FYE May 2021 H1 Results		FYE May 2022 H1 Results				[Reference] Estimates Based on Old Standard FYE May 2022 H1 Results		
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	Vs plan (%)	(Millions of yen)	Share (%)	YoY change (%)
Net sales	168,671	100.0	173,823	100.0	103.1	99.8	175,675	100.0	104.2
Gross profit	46,407	27.5	46,968	27.0	101.2	100.6	48,588	27.7	104.7
SG&A expenses	36,724	21.8	38,125	21.9	103.8	100.6	39,775	22.6	108.3
Operating profit	9,683	5.7	8,843	5.1	91.3	100.6	8,813	5.0	91.0
Ordinary profit	9,907	5.9	9,088	5.2	91.7	101.0	9,058	5.2	91.5
Profit attributable to owners of parent	6,731	4.0	6,167	3.5	91.6	101.3	6,137	3.5	91.2

2. Consolidated Balance Sheet for H1 of FYE May 2022

May 31, 2021		Nov. 30, 2021	
Total assets		Total assets	
		+5,075	
Current assets	Total liabilities	Current assets	Total liabilities
91,084	67,186	92,924	67,495
		+1,839	+309
Non-current assets	Total net assets	Non-current assets	Total net assets
72,740	96,638	75,975	101,404
		+3,235	+4,765

(Millions of yen)

■ Current assets **+1,839**

Increase in accounts receivable	+512
Increase in products	+1,552

■ Non-current assets **+3,235**

Property, plant and equipment	+1,500
Intangible assets	−43

■ Total liabilities **+309**

Accrued expenses	+430
Liabilities related to retirement benefits	+178
Accounts payable	−233

■ Total net assets **+4,765**

Retained earnings	+4,761
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3. Store Openings/Closings (Non-Consolidated)

■ Store openings/closings and renovations

Closings: **1 drug store** (contract completed),
1 dedicated prescription drug store (contract completed)

No. of store openings in FYE May 2022 H1		Kanagawa	Tokyo	Chiba	Aichi	Saitama	Shizuoka	Total
Store opening	Drug stores	9	3	0	0	2	0	14
	Prescription drug stores	14	5	2	1	0	1	23

• Renovations: **19 stores** (fresh foods enhancement: 4 stores, pharmacy expansion: 1 store, etc.)

■ No. of stores as of Nov. 30, 2021

No. of stores as of Nov. 30, 2021		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
Drug stores		382	108	88	47	18	30	672
	<i>In-store pharmacies</i>	156	40	19	17	9	6	247
	<i>Rate of in-store pharmacies</i>	40.8%	37.0%	21.6%	36.2%	50.0%	20.0%	36.8%
Dedicated prescription drug stores		27	7	0	2	0	1	37
Supermarkets		5	0	0	0	0	0	5
Total no. of stores		414	115	88	49	18	31	714

3. Store Openings/Closings (Non-Consolidated)

Fresh foods enhancement



● Isehara-Sakuradai store (Isehara City, Kanagawa)

- Enhancement of food lineup including not only processed foods but fresh foods as well
 - ⇒ Open as drug store with fresh foods at former site of supermarket, providing quick, one-stop shopping experience

Collaboration with regional medical institutions



● Hazawa Yokohama-Kokudai Ekimae store (Yokohama City, Kanagawa)

- In-store prescription drug store with four medical departments of medical institution on 2nd floor
 - ⇒ Develop stores combined with medical institutions as part of new station development

4. Performance Highlights (Non-Consolidated)

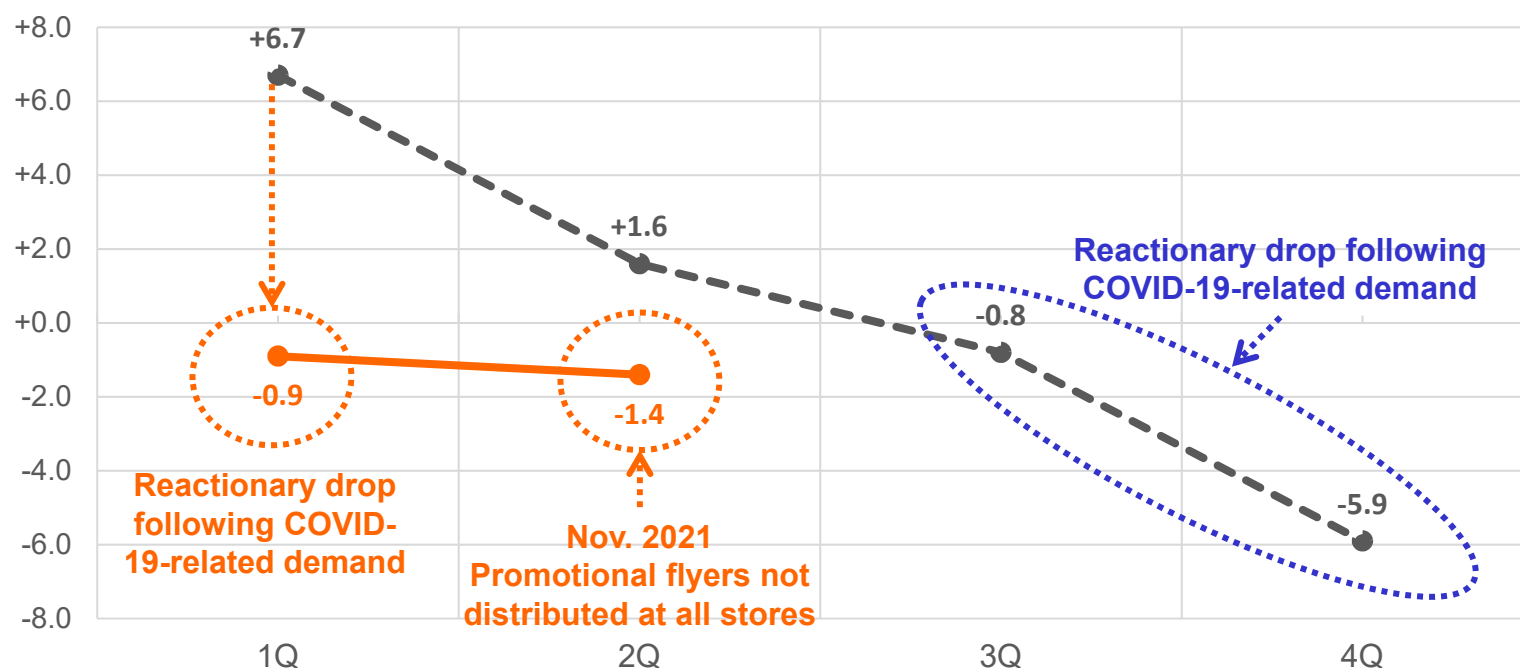
Although there was a reactionary drop from COVID-19-related demand for anti-viral and stay-at-home products in the previous year, performance is strong compared to before the COVID-19 pandemic.

■ YoY net sales comparison at existing stores (H1): **98.8%**

└ OTC: 97.8%, Prescriptions: 109.1%

YoY Trend in Net Sales at All Existing Stores (Quarterly)

—●— FYE May 2021 —●— FYE May 2022



4. Performance Highlights (Non-Consolidated)

■ Net sales —Net sales by segment —

- Prescriptions as a percentage of sales up from 9.2% to 10.1% (up 0.9 pts from previous year)
- Reactionary drop following previous year's COVID-19-related demand for anti-viral products, slump in sales of drugs for common cold
- Foodstuffs performed well despite lessened impact of stay-at-home demand

	FYE May 2021 H1 Results		FYE May 2022 H1 Results			[Reference] Estimates Based on Old Standard FYE May 2022 H1 Results		
	Net sales (millions of yen)	Share (%)	Net sales (millions of yen)	Share (%)	YoY change (%)	Net sales (millions of yen)	Share (%)	YoY change (%)
Medical and health products	44,446	26.9	45,729	26.8	102.9	46,028	26.7	103.6
OTC	29,228	17.7	28,258	16.6	96.7	28,556	16.6	97.7
Prescriptions	15,218	9.2	17,471	10.2	114.8	17,471	10.1	114.8
Cosmetics	20,437	12.4	20,907	12.3	102.3	21,128	12.2	103.4
Food products	64,707	39.1	67,795	39.7	104.8	68,612	39.8	106.0
Daily products	27,511	16.6	27,797	16.3	101.0	28,090	16.3	102.1
Other*	8,333	5.0	8,324	4.9	99.9	8,545	5.0	102.5
Total	165,437	100.0	170,553	100.0	103.1	172,405	100.0	104.2

* "Other" includes stationery, baby products, clothing, pet products, and gardening products.

4. Performance Highlights (Non-Consolidated)

■ Gross profit margin/SG&A ratio (based on old standard)

Gross profit margin: 27.87% Up 0.17 pts YoY Up 0.26 pts vs target

(Boosting factor) Increase in prescriptions as percentage of sales

Voluntary refraining from distributing promotional flyers at all stores

SG&A ratio: 23.12% Up 0.90 pts YoY Up 0.35 pts vs target

- Personnel expense ratio: 12.45% Up 0.63 pts YoY Up 0.24 pts vs target

(Increasing factor) Increased hiring of pharmacists to support opening of prescription drug stores

Decrease in turnover from previous year

- Other expense ratio: 10.66% Up 0.26 pts YoY Up 0.10 pts vs target

(Increasing factor) Increase in commissions in conjunction with increase in cashless transactions

Increase in utility expenses associated with sharp rise in fuel prices

Increase in depreciation and amortization associated with capital investment

4. Performance Highlights (Non-Consolidated)

On the rebound from fewer exams and longer-term prescriptions in previous year, number of prescriptions up, but unit prices down. Net sales strong at existing prescription drug stores.

■ Dispensing department —Net sales/No. of prescriptions/prescription unit price—

	FYE May 2021 H1 Results	FYE May 2022 H1 Results	YoY change (%)
Sales at all stores (millions of yen)	15,218	17,471	114.8%
No. of prescriptions (thousands)	1,572	1,847	117.5%
Prescription unit price (yen)	9,523	9,302	97.7%
Sales at existing stores (millions of yen)	15,151	16,527	109.1%
No. of prescriptions (thousands)	1,564	1,734	110.8%
Prescription unit price (yen)	9,533	9,391	98.5%
Home-based dispensing sales (millions of yen)	698	670	96.0%
No. of stores offering home-based dispensing services	152	154	+2
No. of prescriptions (thousands)	46	45	98.8%
Gross profit margin at all stores (%)	43.1	43.6	+0.5 pts

Initiatives in H2 of FYE May 2022

1. New Store Openings/Renovation of Existing Stores

**Number of prescription drug store openings expected to exceed target
(record high number)**

■ Store openings/closings in H2 (Forecast as of Nov. 30, 2021)

- Drug stores: 20 stores
(Full-year forecast: 34 stores)
- Prescription drug stores: 30 stores
(Full-year forecast: 53 stores)

Expected H2 closings: **2 drug stores** (contract completed, S&B)
Expected full-year closings: **3 drug stores** (contract completed, S&B),
1 dedicated prescription drug store(contract completed)

	Nov. 30, 2021 No. of stores	FYE May 2022 H2 forecast	May 31, 2022 Forecast of No. of stores	(Reference) FYE May 2021 No. of stores
Drug stores	672	20 (2 closings)	690	659
In-store pharmacies	247	29	276	226
<i>Rate of in-store pharmacies</i>	36.8%	—	40.0%	34.3%
Dedicated prescription drug stores	37	1	38	36
Supermarkets	5	0	5	5
All stores	714	—	733	700

■ Renovations in H2

● Enhancement of fresh foods and shift to in-store prescription drug stores

- Renovations planned for H2: **14 stores** (full-year: 33 stores)

Addition projects: 2 stores

→ Enhancement of food lineup and shift to in-store prescription drug stores

Pharmacy expansion: 4 stores

Fresh foods enhancement: 3 stores, etc.



2. Response to Lifestyle Changes

Achieving quick, one-stop shopping

● Expansion of fresh, frozen, and instant food products

- Further expansion and review of lineup
→ Ensure convenience with one-stop shopping
- New development and revamping of private brand (PB) products
- Continued expansion of food sales floor at new stores



● New product acceptance service

▪ Installation of Cookpad Mart lockers

→ Supplementation of items missing at smaller stores

Expected No. of stores by year-end: 18 stores

▪ Promotion of installation of delivery acceptance lockers

→ Expected No. of stores by year-end: 56 stores



3. Response to Prescription Demand in Super Aging Society

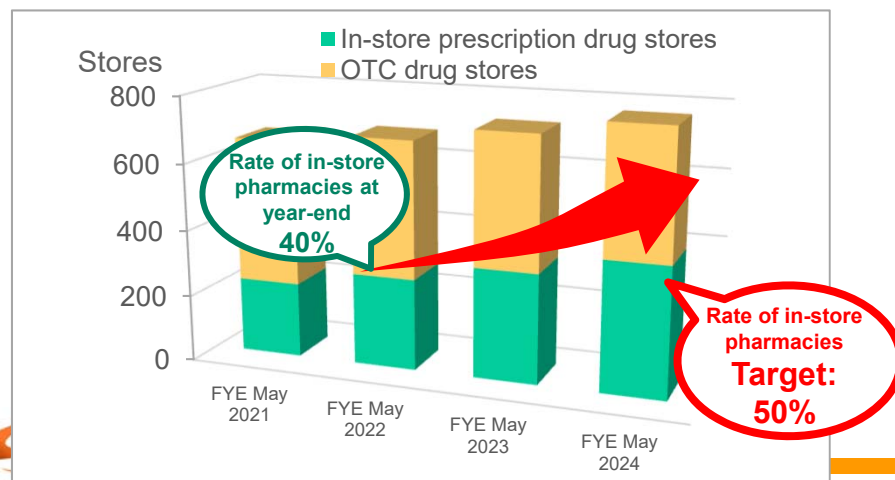
Further expansion of prescription business

● Working toward in-store pharmacy rate of 50%

↳ Prescription drug store openings planned this year: **53 stores**

(Rate of in-store pharmacies at year-end: **Over 40%**)

- Enhancement of pharmacist education
 - Increased hiring of medical assistants
 - Improvement of patient satisfaction
- Enhancement of customer service at prescription drug stores
- Elimination of unmet demand and reduction of waiting times



● Promotion of certification as pharmacies partnered with regional medical institutions

- Promotion of follow-up for patient compliance

→ Establishment of system for providing online instructions for taking prescriptions

- Establishment of aseptic preparation facilities and development of joint-use operations

→ Expected No. of aseptic dispensaries by year-end:

6 stores



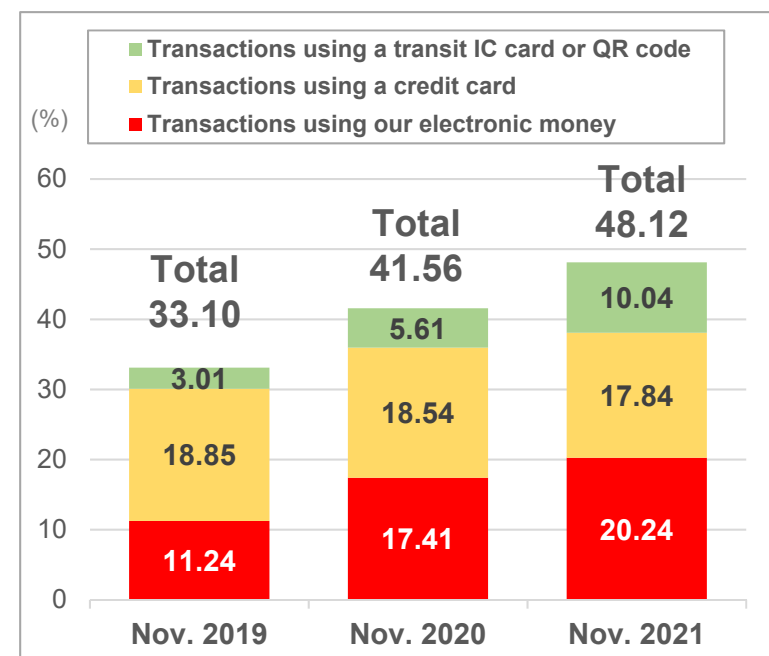
4. Initiatives for Curbing SG&A

Productivity improvement

- **Expanded introduction of semi-self-checkout registers**
→ Expected No. of stores by year-end: 61 stores
- **Use of tablets**
→ Implementation of online training and preparation of video manual (register operations, prescription procedures, etc.)
- **Promotion of active roles for medical assistants**
→ Expansion of picking/sorting training, accompaniment on home visits, and operational support
- **Control of man-hours**
→ Calculate standard man-hours and personnel at each store, aiming to operate with appropriate number of personnel

Promotion of cashless transactions

- **Curbing of commissions**
→ Enhancement of sales promotions to encourage use of our electronic money



Note: Although credit card transactions have decreased, other cashless transactions such as with QR codes have increased. Transactions using our electronic money are holding strong.

5. Improvement of Customer/Patient Experience Using IT and Physical Stores

Provide customers and patients with a new experience

●Promotion of digital marketing

- Update official smartphone app
(Planned for March 2022)

→Delivery of individualized coupons and addition and expansion of new functions such as those pertaining to health data

●Promotion of retail media business

- Delivery of manufacturer ads on in-store digital signage
- Delivery of targeted social media ads by utilizing in-store beacons

●Verification of new services

- Verification of mobile pre-order services
REMO CART

→Product can be picked up at store on same day by placing order on smartphone ahead of time (Verification and introduction starting in March 2022)



6. Promotion of Sustainable Management

Aiming to achieve both sustainable improvement of corporate value and realization of a sustainable society

● Enhancement of **ESG information disclosure**

- Disclosure of information on website:

<https://www.createsdhd.co.jp/> (in Japanese only)



E: Environmental conservation initiatives

→ Continued ISO 14001 certification, investment in green bonds issued by Kanagawa Prefecture, etc.



S: Social contribution activities

→ Promotion of family pharmacies, conclusion of disaster cooperation agreements with communities, donation activities, etc.



G: Corporate governance and risk management system

→ Compliance system, internal whistleblower system, information security policy, etc.



● Establishment of **Sustainability Promotion Committee**

- Establishment of basic sustainability policy and identification of material issues (materiality)
- Establishment of plan for initiatives to resolve social issues and management of progress

7. FYE May 2022 Full-Year Plan (Consolidated)

Note: The full-year plan has not been revised.

Full Year	FYE May 2021 Cumulative		FYE May 2022 Plan			[Reference for FYE May 2022] Estimates Based on Old Standard	
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	(Millions of yen)	YoY change (%)
Net sales	338,476	100.0	352,600	100.0	104.2	355,490	105.0
Gross profit	93,365	27.6	95,880	27.2	102.7	98,760	105.8
SG&A expenses	74,735	22.1	76,500	21.7	102.4	79,380	106.2
Operating profit	18,629	5.5	19,380	5.5	104.0	19,380	104.0
Ordinary profit	19,061	5.6	19,800	5.6	103.9	19,800	103.9
Profit attributable to owners of parent	12,376	3.7	12,770	3.6	103.2	12,770	103.2