



# CREATE SD HOLDINGS

## **Financial Results for Q2 of FYE May 2024 (June 1, 2023 to November 30, 2023) January 11, 2024**

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. Inquiries: Hironori Abe or Ryota Kimura (hdinfo@create-sd.co.jp), Corporate Planning Office.

## **Consolidated Results for H1 of FYE May 2024**

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# Results for H1 of FYE May 2024

# 1. Consolidated Financial Highlights

## Consolidated results for H1 of FYE May 2024

### Net sales

**207.4 billion yen**  
(110.7% YoY)

### Ordinary profit

**10.1 billion yen**  
(107.8% YoY)  
Percentage of sales: 4.9%

### <Business Overview>

- ◆ Existing store sales and customer numbers remained strong due to success of EDLP measures
- ◆ Gross profit exceeded plan thanks to sales growth despite decline in gross profit margin
- ◆ SG&A expenses were kept within plan, ensuring increase in sales and profit

## 2. Consolidated Statement of Income for H1 of FYE May 2024

**Net sales exceeded previous H1's level and projections, and SG&A expenses stayed within plan, ensuring increase in sales and profit**

	FYE May 2023 H1 Results		FYE May 2024 H1 Results			
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	Vs plan (%)
Net sales	187,392	100.0	207,451	100.0	110.7	105.1
Gross profit	50,989	27.2	53,965	26.0	105.8	101.9
SG&A expenses	41,754	22.3	44,113	21.3	105.7	99.0
Operating profit	9,235	4.9	9,852	4.7	106.7	116.7
Ordinary profit	9,451	5.0	10,191	4.9	107.8	116.9
Profit attributable to owners of parent	6,412	3.4	6,875	3.3	107.2	115.9

### Net sales

ELDP measures succeeded as they did in H1 of FYE May 2023, especially for daily necessities, on top of increased opportunities to go out with reclassification of COVID-19 as Class 5 disease

### Gross profit

- Reactionary drop in high gross profit products such as masks and disinfecting products

- Impact from promotion of EDLP

⇒ **Percentage of sales: -1.2 pts from H1 of FYE May 2023**

### SG&A expenses

Despite personnel unit costs and utility expenses remaining high, overall SG&A expenses were kept within plan at 99.0%

⇒ **Percentage of sales: -1.0 pt from H1 of FYE May 2023**

### 3. Consolidated Balance Sheet for H1 of FYE May 2024

May 31, 2023 Total assets 194,941		Nov. 30, 2024 Total assets 203,023 <b>+8,082</b>	
Current assets 99,631	Total liabilities 78,532	Current assets 98,148 <b>-1,482</b>	Total liabilities 81,415 <b>+2,883</b>
Non-current assets 95,310	Total net assets 116,409	Non-current assets 104,874 <b>+9,564</b>	Total net assets 121,607 <b>+5,198</b>

(Millions of yen)

#### ■ Current assets **-1,482**

Decrease in cash and deposits	-3,487
Increase in accounts receivable	+632
Increase in merchandise	+1,534

#### ■ Non-current assets **+9,564**

Land purchases and deposits	+3,272
Buildings and structures	+3,725

#### ■ Total liabilities **+2,883**

Increase in accounts payable	+1,461
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#### ■ Total net assets **+5,198**

Retained earnings	+5,168
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### 3. Store Openings/Closings

Store closings: **3 drug stores** (2 after completion of contract and 1 to improve management efficiency)

#### ■ Store openings/closings and renovations

No. of store openings in H1 of FYE May 2024		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Annual
Store opening	Drug stores	7	2	1	4	2	0	16
	Prescription drug stores	8	2	2	6	1	0	19

• Renovations: **15 stores** (revised merchandising: 9 stores; follow-up after prescription drug store openings: 4 stores; extension/renovation: 1 store; renovation to expand prescriptions: 1 store)

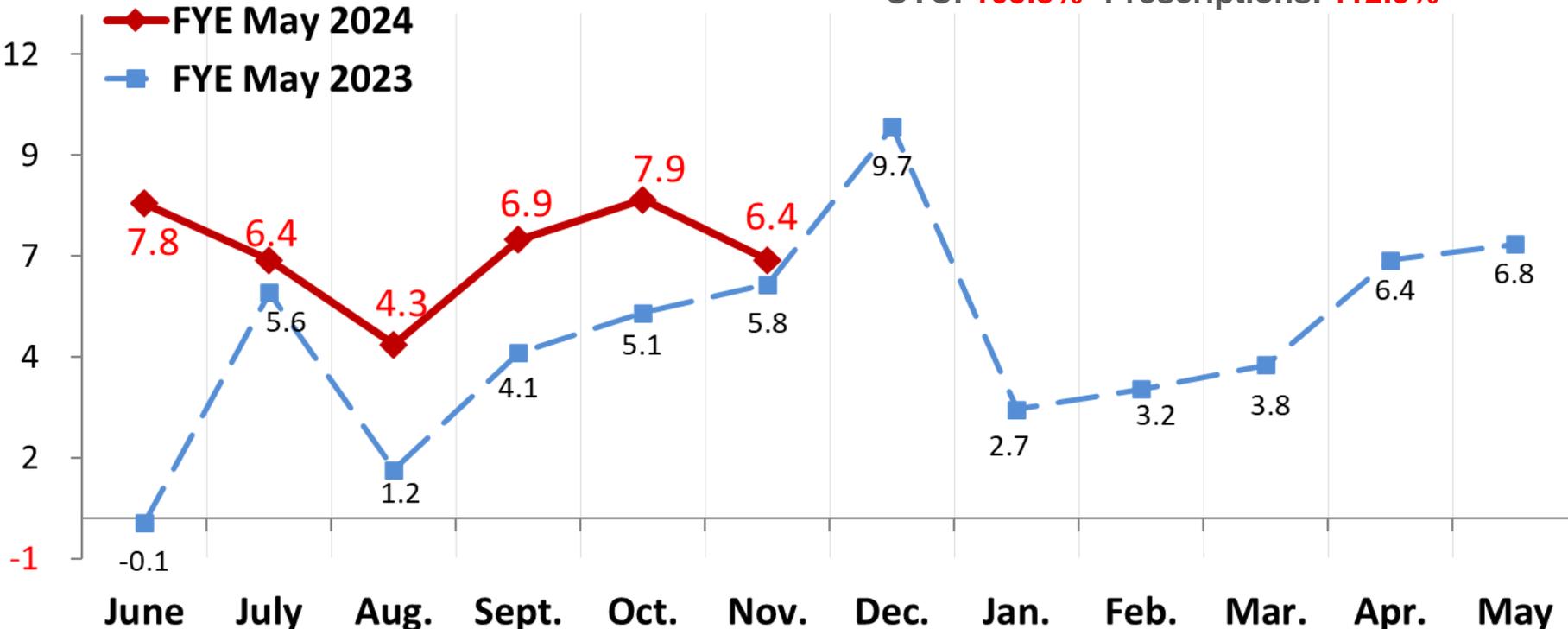
#### ■ No. of Stores as of November 30, 2023

	Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Annual
Drug stores	410	114	94	59	22	31	730
<i>In-store pharmacies</i>	210	55	30	34	14	9	352
<i>Rate of in-store pharmacies</i>	51.2%	48.2%	31.9%	57.6%	65.6%	29.0%	48.2%
Dedicated prescription drug stores	26	7	0	2	1	1	37
Supermarkets	5	0	0	0	0	0	5
Total no. of stores	441	121	94	61	23	32	772

# 5. Performance Highlights

■ YoY net sales comparison at all existing stores (H1): **106.6%** (Q1: 106.1%; Q2: 107.1%)

└ OTC: **105.8%** Prescriptions: **112.9%**



Successful EDLP strategy primarily for daily necessities due to rising prices and need for households to save money

More people going out and greater movement with reclassification of COVID-19 as a Class 5 disease

Strong results in summer seasonal products due to heat wave

Fever, influenza, and other infectious disease outbreaks

## 5. Performance Highlights

### ■ Net sales by segment

	FYE May 2023 H1 Results		FYE May 2024 H1 Results		
	Net sales (millions of yen)	Share (%)	Net sales (millions of yen)	Share (%)	YoY change (%)
Medical and health products	51,050	27.6	54,654	26.6	107.1
OTC	30,588	16.5	30,497	14.8	99.7
Prescriptions	20,461	11.1	24,157	11.8	118.1
Cosmetics	22,286	12.1	24,038	11.7	107.9
Food products	73,549	39.8	86,056	41.9	117.0
Daily products	28,907	15.7	30,965	15.1	107.1
Other*	8,870	4.8	9,665	4.7	109.0
Total	184,664	100.0	205,380	100.0	111.2

#### Medical and health products

- Sales of common cold medicines up, but sales of masks and disinfectants down
  - Increased number of prescriptions filled from promotion of in-store pharmacies
- Prescriptions as a percentage of sales up 11.8% (+0.7 pts)

#### Cosmetics

- Makeup cosmetics recovering due to increase in opportunities to go out
- Increased sales of summer seasonal cosmetics due to heat wave

#### Food products

- Increased sales thanks to **success of EDLP** strategy, primarily for daily necessities

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

## 5. Performance Highlights

### Gross profit margin / SG&A ratio

Gross profit margin	FYE May 2023 H1 Results		FYE May 2024 H1 Results		YoY Change	
	Result (millions of yen)	Share	Result (millions of yen)	Share	Change	(%)
Amount of sales	184,664	-	205,380	-	-	111.2
Gross profit	50,561	27.4	53,660	26.1	-1.3	106.1

#### Gross profit margin

- Reactionary drop in high gross profit products such as masks and disinfecting products
- Increase in prescriptions as a percentage of sales offset downward pressure from revision of medical fees and drug prices
- Impact from promotion of EDLP strategy

SG&A ratio	FYE May 2023 H1 Results		FYE May 2024 H1 Results		YoY Change	
	Result (millions of yen)	Share	Result (millions of yen)	Share	Change	(%)
Total personnel expenses	23,115	12.5	24,535	11.9	-0.6	106.1
Total sales promotion expenses	512	0.3	530	0.3	0.0	103.6
Utility expenses	2,117	1.1	2,148	1.0	-0.1	101.5
Depreciation and amortization	1,901	1.0	2,159	1.1	+0.1	113.6
Commissions paid	2,338	1.3	2,572	1.3	0.0	110.0
Land/office rent	8,200	4.4	8,545	4.2	-0.2	104.2
Other	3,743	2.0	4,096	2.0	0.0	109.5
Selling, general and administrative expenses	41,927	22.7	44,588	21.7	-1.0	106.3

#### SG&A ratio

- Keeping personnel expenses down by optimizing staffing and reviewing hiring
- Addressing increase in utility expenses by using government subsidies
- Land rent as a percentage of sales has declined due to increase in number of stores that own their own land and buildings

## 5. Performance Highlights

### ■ Prescription drug store department

	FYE May 2023 H1 Results	FYE May 2024 H1 Results	YoY change (%)
<b>Sales at all stores</b> (millions of yen)	<b>20,461</b>	<b>24,157</b>	<b>118.1</b>
<b>No. of prescriptions</b> (thousands)	<b>2,179</b>	<b>2,648</b>	<b>121.5</b>
<b>Prescription unit price</b> (yen)	<b>9,164</b>	<b>8,933</b>	<b>97.5</b>
<b>Sales at existing stores</b> (millions of yen)	<b>20,404</b>	<b>23,036</b>	<b>112.9</b>
<b>No. of prescriptions</b> (thousands)	<b>2,172</b>	<b>2,510</b>	<b>115.6</b>
<b>Prescription unit price</b> (yen)	<b>9,170</b>	<b>8,997</b>	<b>98.1</b>
<b>Home-based dispensing sales</b> (millions of yen)	<b>648</b>	<b>709</b>	<b>109.4</b>
<b>No. of stores offering home-based dispensing services</b>	<b>169</b>	<b>189</b>	<b>+20</b>
<b>No. of prescriptions</b> (thousands)	<b>44</b>	<b>45</b>	<b>104.2</b>
<b>Gross profit margin at all stores (%)</b>	<b>43.7</b>	<b>41.5</b>	<b>-2.2</b>

#### Prescriptions and sales remained firm

- Promotion of in-store pharmacies
- Increase in acute phase prescriptions due to infectious diseases including fever and influenza

#### Drop in gross profit margin due to revision of medical fees and drug prices

- Dispensing technical fee reduced due to revision of medical fees in April 2022 (Decrease in basic fee applied at the Company as of April 2023)
- Drug price discount rate down due to price revision in April 2023

# FYE May 2024 Full Year Plan

# 1. Store Openings/Closings

## ■ H2 store openings/closings Forecast as of November 30, 2023

• Drug stores: 28 stores (full-year: 44 stores) • Prescription drug stores: 29 stores (full-year: 48 stores)

Store closings: **8 drug stores** (6 after completion of contract and 2 to improve management efficiency)

	H1 store openings	H2 store openings	Full-year store openings	Full-year plan	Vs plan	Full-year store closings	Vs plan	Forecast for May 31, 2024
Drug stores	16	28	44	50	-6	8	+2	753 stores
In-store pharmacies	18	29	47	59	-12	0	0	381 stores (In-store pharmacy rate: 50.6%)
Dedicated prescription drug stores	1	0	1	1	0	0	0	37 stores
Yuri Store	0	1 (Fresh produce stores)	1 (Fresh produce stores)	1 (Fresh produce stores)	0	0	0	6 stores (Including 4 fresh produce stores)
Total no. of stores	17	29	46	52	-6	8	+2	796 stores

### <Factors behind difference from plan>

- **OTC store openings:** Delays in government development permits and such, resulting in postponements into the next fiscal year
- **Prescription drug store openings:** Reconsideration of opening stores where prescription demand is less likely and postponement into the next fiscal year
- **Store closings:** Closure of small stores in dominant areas in conjunction with completion of contracts to concentrate management resources

## 2. FYE May 2024 Full-Year Plan (Consolidated)

Note: Full-year plan has not been revised.

Full-year	FYE May 2023 Results		FYE May 2024 Plan			
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	YoY change (Millions of yen)
Net sales	380,963	100.0	404,100	100.0	106.1	+23,137
Gross profit	102,987	27.0	109,640	27.1	106.5	+6,653
SG&A expenses	84,075	22.1	90,400	22.4	107.5	+6,325
Operating profit	18,912	5.0	19,240	4.8	101.7	+327
Ordinary profit	19,428	5.1	19,800	4.9	101.9	+371
Profit attributable to owners of parent	12,925	3.4	13,000	3.2	100.6	+74

# 3. Sustainability Management

## Promotion of retention and women's advancement

### Promotion of retention

- Establishment of career-oriented training system
- Verification of new employee mentoring system

### Promotion of women's advancement

- Creation of environment where role models can be established

Indicators related to promotion of women's advancement (non-consolidated)

Indicator	FYE May 2023 results	Fiscal year of target achievement	Target
Percentage of women promoted to store manager or pharmacy manager	36.6%	FYE May 2024	At least 40%
Percentage of women in management positions	17.7%	FYE May 2031	At least 25%

Disclosed in August 2023 Securities Report

## Initiatives to reduce environmental impact

### • Reduction of power consumption by stores

- Installation of solar panels
- Conversion to LED lighting for cold cases

### • Improved shipping efficiency

- Establishment and reallocation of distribution centers
- Centralized delivery of fresh meats and other refrigerated products

### • Promotion of recycling

- Collection of medicine (PTP) sheets at stores
- Waste reduction through collection of plastic bottle caps and other items

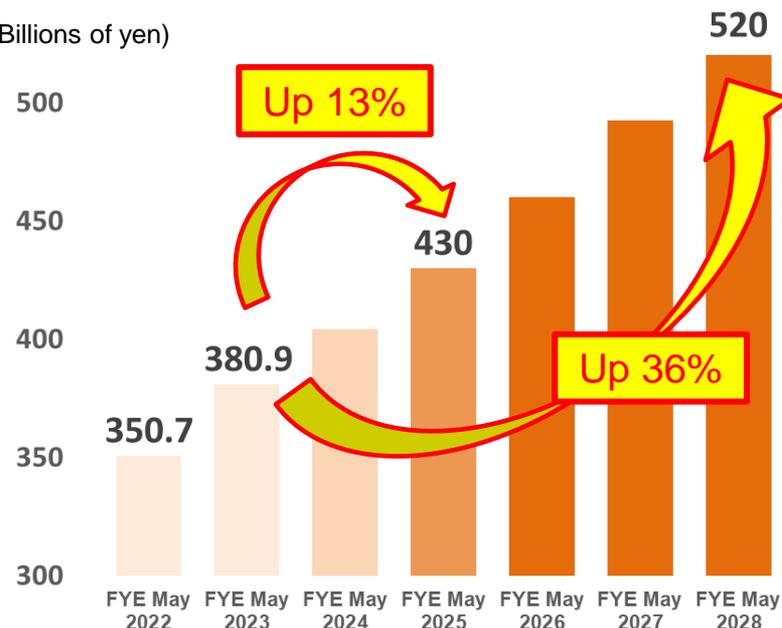


# **Issuance of Share Options through Third-Party Allotment Using Treasury Shares**

**From materials disclosed on November 6, 2023**

# 1. Purpose of Fundraising and Use of Funds

(Billions of yen)



From materials disclosed on November 6, 2023

Medium-term Management Plan	FYE May 2025 (Projected)	FYE May 2028 (Projected)
	(Millions of yen)	(Millions of yen)
Net sales	430,000	520,000
Ordinary profit	21,500	26,000
Ordinary profit margin	5.0%	5.0%
No. of stores	850 stores	1,000 stores

## <Use of funds>

- (1) Strengthening the opening of **highly competitive** large-scale stores
- (2) **Improving productivity** by establishing and reallocating distribution centers

⇒ **Utilize funds in growth investments to achieve the Medium-term Management Plan**