



CREATE SD HOLDINGS

Financial Results for Q2 of FYE May 2021 (June 1, 2020 to November 30, 2020)

January 20, 2021

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 2021

- 1. Statement of Income**
- 2. Balance Sheet**
- 3. Store Openings/Closings (Non-Consolidated)**
- 4. Performance Highlights (Non-Consolidated)**

Initiatives in H2 of FYE May 2021

- 1. New Store Openings/Renovation of Existing Stores**
- 2. Our COVID-19 Response**
- 3. Productivity Improvement**
- 4. Enhanced Professionalism**
- 5. Promotion of Digital Transformation (DX)**

Revised FYE May 2021 Plan

- 1. Key Points of Revised Plan for Consolidated Performance**
- 2. Revised FYE May 2021 Plan (Consolidated)**

Consolidated Results for H1 of FYE May 2021

1. Consolidated Statement of Income for H1 of FYE May 2021

	FYE May 2020 H1 Results		FYE May 2021 H1 Results			
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	Vs plan (%)
Net sales	153,305	100.0	168,671	100.0	110.0	101.9
Gross profit	42,027	27.4	46,407	27.5	110.4	102.8
SG&A expenses	34,985	22.8	36,724	21.8	105.0	98.7
Operating profit	7,041	4.6	9,683	5.7	137.5	122.0
Ordinary profit	7,219	4.7	9,907	5.9	137.2	121.7
Profit attributable to owners of parent	4,912	3.2	6,731	4.0	137.0	121.1

2. Consolidated Balance Sheet for H1 of FYE May 2021

(Millions of yen)

	May 31, 2020	Nov. 30, 2020	Change
Total assets	153,423	157,194	+3,770
Current assets	87,162	87,285	+123
Non-current assets	66,261	69,908	+3,647
Total liabilities	66,646	64,972	-1,674
Current liabilities	59,595	57,666	-1,929
Non-current liabilities	7,050	7,306	+255
Total net assets	86,776	92,221	+5,444
Total liabilities and net assets	153,423	157,194	+3,770

3. Store Openings/Closings (Non-Consolidated)

Store openings/closings and renovations

- Store openings: **19** drug stores / **8** prescription drug stores

		Kanagawa	Tokyo	Chiba	Ibaraki	Aichi	Total
Store opening	Drug stores	11	5	1	0	2	19
	Prescription drug stores	4	3	0	1	0	8

Store closings: **3** drug stores (1 for S&B* and 2 to improve management efficiency) / **1** in-store prescription drug store (to improve management efficiency)

- Renovations: **16** drug stores / **1** prescription drug store

*scrap and build

No. of stores at year end

		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
Nov. 30, 2020 No. of stores	Drug stores	360	104	88	45	18	26	641
	In-store pharmacies	123	35	18	12	8	5	201
	Rate of in-store pharmacies	34.2%	33.7%	20.5%	26.7%	44.4%	19.2%	31.4%
	Dedicated prescription drug stores	26	6	0	2	0	2	36
	Supermarkets	5	0	0	0	0	0	5
	Total no. of stores	391	110	88	47	18	28	682

3. Store Openings/Closings (Non-Consolidated)

Store openings in collaboration with fresh produce category

■ Store openings: **3 stores** (8 stores as of November 30, 2020) **Note:** One of these was converted from existing format through expansion and renovation.

Kohoku Tsunashima-Higashi (Kanagawa)



Shin-Yokosuka Kamoii (Kanagawa)



Tsukuba Mirai* (Ibaraki)



* Converted from existing format through expansion and renovation.

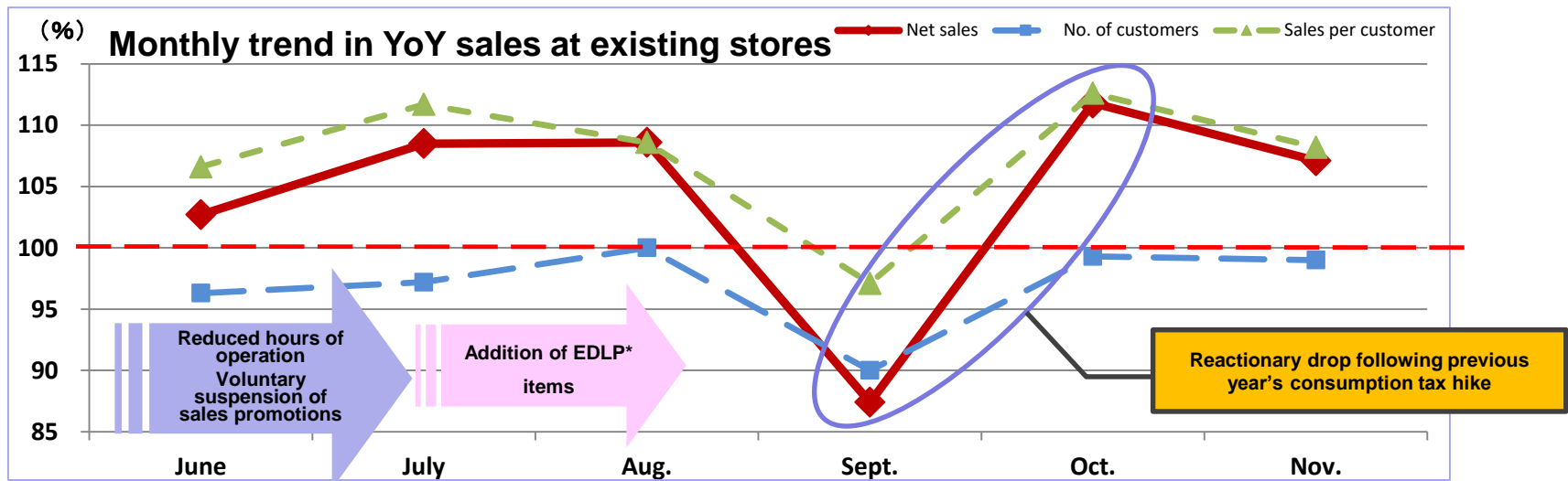
4. Performance Highlights (Non-Consolidated)

Net sales —Monthly trend in sales at existing stores—

■ All stores: **Up 8.7% YoY (Up 1.9% vs. target)**

Existing stores: Up 4.1% YoY (OTC: Up 3.8%; prescription: Up 6.8%)

- Sales per customer up due primarily to increased demand for products related to preventing infection and bulk buying of food and daily necessities (**Up 7.2% YoY**)
- Number of customers down due primarily to bulk buying, reduced hours of operation, and voluntary suspension of sales promotions (Down **3.1% YoY**)



* Every day low price

	June	July	Aug.	Sept.	Oct.	Nov.	H1 total
Net sales	102.7%	108.5%	108.6%	87.4%	111.8%	107.1%	103.8%
No. of customers	96.3%	97.2%	100.0%	90.0%	99.3%	99.0%	96.9%
Sales per customer	106.6%	111.7%	108.6%	97.1%	112.6%	108.2%	107.2%

4. Performance Highlights (Non-Consolidated)

Net sales —Net sales by segment—

- Increased demand in categories related to COVID-19
- Prescriptions **up 0.1 pts** to **9.2%** as a percentage of sales

	FYE May 2020 H1 Results		FYE May 2021 H1 Results		
	Net sales (millions of yen)	Share (%)	Net sales (millions of yen)	Share (%)	YoY change (%)
Medical and health products	36,811	24.2	44,446	26.9	120.7
OTC	22,986	15.1	29,228	17.7	127.2
Prescriptions	13,824	9.1	15,218	9.2	110.1
Cosmetics	20,780	13.7	20,437	12.4	98.3
Food products	60,947	40.0	64,707	39.1	106.2
Daily products	25,399	16.7	27,511	16.6	108.3
Other*	8,289	5.4	8,333	5.0	100.5
Total	152,227	100.0	165,437	100.0	108.7

Masks, sanitizers, etc.
 Products related to preventing infection

Decreased demand associated with lifestyle changes

Increased demand due to consumers staying home

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

4. Performance Highlights (Non-Consolidated)

Gross profit margin/SG&A ratio

■ **Gross profit margin: 27.7%** Up 0.1 pts YoY Up 0.2 pts vs target

- Prescriptions were up as a percentage of sales
- Gross profit margin improved with voluntary suspension of sales promotions
- Gross profit margin improved with increase in sales of products to prevent infection

■ **SG&A ratio: 22.2%** Down 1.1 pts YoY Down 0.7 pts vs target

Personnel expense ratio: 11.8% Down 0.3 pts YoY Down 0.4 pts vs target

Other expense ratio: 10.4% Down 0.7 pts YoY Down 0.3 pts vs target

- Lower personnel expenses resulting from reduced hours of operation and voluntary suspension of sales promotions
- Lower expenses for sales promotions and points due to voluntary suspension of sales promotions

4. Performance Highlights (Non-Consolidated)

Dispensing department

—Net sales/No. of prescriptions/prescription unit price —

■ Sales at all stores: **Up 10.1%** YoY Sales at existing stores: **Up 6.8%** YoY

• Number of prescriptions down due to fewer exams and longer-term prescriptions, but prescription unit prices up

	FYE May 2020 H1 Results	FYE May 2021 H1 Results	YoY change (%)
Sales at all stores (millions of yen)	13,824	15,218	110.1
No. of prescriptions (thousands)	1,531	1,572	102.7
Prescription unit price (yen)	8,891	9,523	107.1
Sales at existing stores (millions of yen)	13,766	14,697	106.8
No. of prescriptions (thousands)	1,525	1,509	98.9
Prescription unit price (yen)	8,886	9,590	107.9
Home-based dispensing sales (millions of yen)	685	701	102.3
No. of stores offering home-based dispensing services	132	152	+20
No. of prescriptions (thousands)	45	46	103.2
Gross profit margin at all stores (%)	40.7	43.1	+2.4

No. of prescriptions down due to fewer exams, but unit prices up

No. of patients choosing home-based dispensing up due to COVID-19

Up as result of negotiations after drug price revision

4. Performance Highlights (Non-Consolidated)

Prescription drug store department —Home-based dispensing services/premiums—

■ Expansion of home-based dispensing services

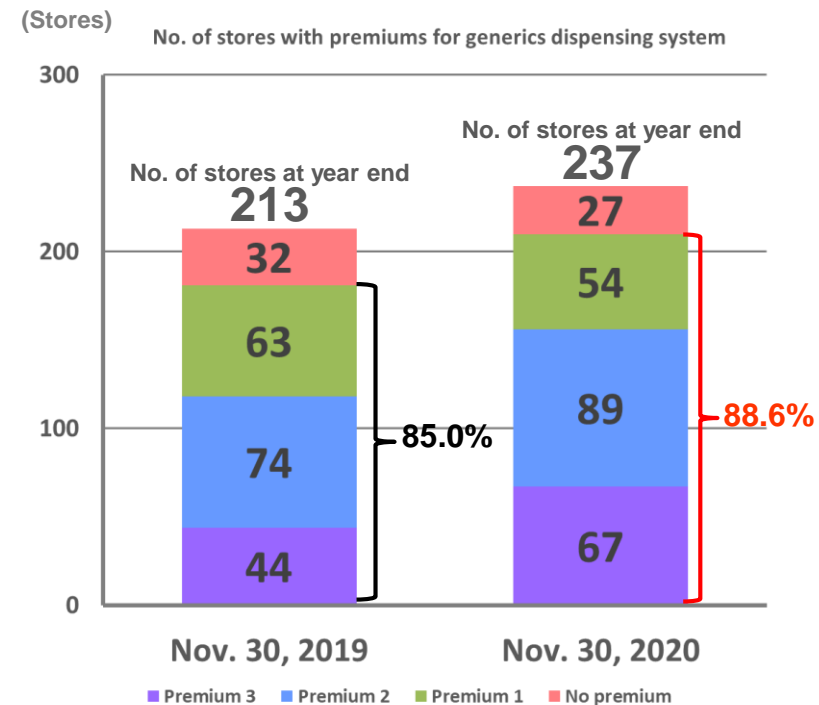
- No. of stores offering home-based dispensing services at year end: **152 stores** (up 20 from previous year)
- No. of patients supported by home-based services: **3,581 people** (Up 133 from previous year)

■ Premiums for local support system

- No. of stores with premiums at year end: **84 stores** (up 17 from previous year)

■ Premiums for generics dispensing system

- Pct. of stores with premiums at year end: **88.6%** (up 3.6 pts from previous year)
- Rate of generics use: **80.9%** (up 1.7 pts from previous year)



Initiatives in H2 of FYE May 2021

1. New Store Openings/Renovation of Existing Stores

Store openings/closings and renovations —H2 forecast—

■ Drug stores: 21 stores

(Full-year total: 40 stores)

- Continue pursuit of dominance in existing areas

■ Prescription drug stores: 28 stores

(Full-year total: 36 stores)

- Store openings in collaboration with regional medical institutions
- In-store openings leveraging drug stores' ability to attract customers
- Reassign OTC pharmacists to dispensing department

■ Renovations: 18 stores

(Full-year total: 35 stores)

- Review merchandising according to location and regional needs
- In-store prescription drug stores
- Convert large stores into collaborative stores with fresh produce category
- Switch from supermarket to combination drug store category

Nov. 30, 2020 No. of stores	Drug stores	641
	In-store pharmacies	201
	<i>Rate of in-store pharmacies</i>	31.4%
	Dedicated prescription drug stores	36
	Supermarkets	5
	All stores	682
FYE May 2021 H2 No. of store openings (Forecast)	Drug stores	21
	In-store pharmacies	27
	Dedicated prescription drug stores	1
	All stores	22
May 31, 2021 No. of stores (Forecast)	Drug stores	662
	In-store pharmacies	228
	<i>Rate of in-store pharmacies</i>	34.4%
	Dedicated prescription drug stores	37
	Supermarkets	4
	All stores	703

Closings: 4 drug stores / 1 in-store prescription drug store

2. Our COVID-19 Response

Peri-/Post-COVID-19 Sales Measures

Lowering of prices

Prevention of “three Cs”

Non-contact (cashless)

■ Strengthening of EDLP and PB

- Price of around 1,500 items lowered gradually starting in July
⇒ Plan is to continue gradually expanding items
- Continue voluntary suspension of sales promotions that bring in customers on specific days
- New development and revamping of private brand (PB) products

■ Utilization of digital tools

- Promote shift to non-contact cashless transactions
- Promote habitual use and secure regular customers

Original electronic money

Nov. 30, 2020

May 31, 2021 (Target)

Osaifu Hippo transaction ratio

20.6%

⇒

23.5%

No. of official smartphone app downloads

0.97 million

⇒

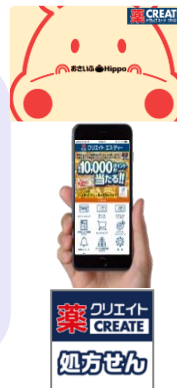
1.15 million

Ratio of usage of prescription transmission app

5.0%

⇒

6.5%



3. Productivity Improvement

Efforts to improve operational efficiency

■ Enhancement of productivity through introduction of semi-self-checkout registers

- Introduced at **22 stores** as of November 30, 2020, will continue to promote further introduction

■ Optimization of working hours through control of man-hours

- Allocate human resources according to review of operating hours and sales promotions
- Strengthen management of working hours and overtime by checking progress at each store



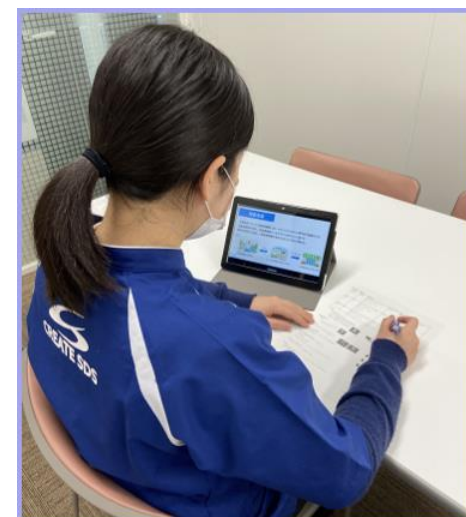
Shift to online internal training

■ Implementation of remote training utilizing tablets

- Train dispensing medical assistants in operations
- Utilize as educational tool for new employees

■ Implementation of training and workshops using Zoom

- Customer service training, manager skill development training, qualified employee workshops, etc.



4. Enhanced Professionalism

Prescription drug store department

Expansion of pharmacies partnered with regional medical institutions

- Train “family pharmacists”
- Establishment of structure for expanding home-based dispensing services
- Expansion of premiums for local support system

	Nov. 30, 2020		May 31, 2021 (Target)
"Family pharmacists"	118	⇒	200
Stores offering home-based services	152 stores	⇒	Achieved (Initial target of 142 stores)
Premiums for local support system	84 stores	⇒	90 stores (Initial target of 110 stores)

Efforts to shift to online operations

- Introduce online instructions for taking prescriptions at all stores
- Promote use of prescription transmission app
- Phone-based instructions for taking prescriptions (0410 support)
- Introduce online qualification checks (use of MyNumber card as health insurance card) at all stores

Efforts to realize non-face-to-face delivery of medicines

- Participation in field tests for locker-based prescription drug delivery service through collaboration between Kanagawa Prefecture and SPACER
⇒ Tests launched at 4 stores in Kanagawa in December 2020



5. Promotion of Digital Transformation (DX)

Improvement of customer experience using digital tools

Respond to changes in society and develop stronger, longer lasting relationships by providing optimal methods/services to each customer and patient

■ Establishment of new department specializing in customer service

- Promote sales promotion measures utilizing digital tools in addition to traditional sales promotions
- Link with online shop and order/back-order function

■ Launch of interdepartmental project to promote DX

- Promote better customer experiences by strengthening cross-company collaboration and implementing DX

Promotion of use of Osaifu Hippo and official smartphone app, 1-to-1 marketing, online shop and order/back-order function, BOPIS initiative, semi-self-checkout registers, online instructions for taking prescriptions, utilization of prescription transmission app, etc.



Revised FYE May 2021 Plan

1. Key Points of Revised Plan for Consolidated Performance

Assumptions of revised plan

■ Initial plan

- Impact of COVID-19 expected to remain (even if decreasing) through H1 (November 2020)



■ Revised plan

- Impact of COVID-19 will continue beyond H2, and situation will remain uncertain

Revised full-year forecasts

Net sales

333.7 billion yen ⇒ Revised plan: **338.3** billion yen (up 4.6 billion yen)

Operating profit

16.5 billion yen ⇒ Revised plan: **17.8** billion yen (up 1.3 billion yen)

Ordinary profit

16.9 billion yen ⇒ Revised plan: **18.2** billion yen (up 1.3 billion yen)

Profit attributable to owners of parent

11.3 billion yen ⇒ Revised plan: **12.3** billion yen (up 1.0 billion yen)

2. Revised FYE May 2021 Plan (Consolidated)

	FYE May 2020 (Results)		FYE May 2021 (Revised plan)		
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)
Net sales	319,588	100.0	338,330	100.0	105.9
Gross profit	88,986	27.8	93,000	27.5	104.5
SG&A expenses	71,192	22.3	75,140	22.2	105.5
Operating profit	17,793	5.6	17,860	5.3	100.4
Ordinary profit	18,210	5.7	18,280	5.4	100.4
Profit attributable to owners of parent	12,254	3.8	12,300	3.6	100.4