



## **Financial Results for FYE May 2024**

**July 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.

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# **FYE May 2024 Results**

## 1. Consolidated Financial Highlights

# Consolidated Results for FYE May 2024

### Net sales

**422.3 billion yen**  
(110.9% YoY)

### Ordinary profit

**20.8 billion yen**  
(107.5% YoY)  
Ordinary profit margin: 4.9%

## Business Overview

- ◆ Existing store customer numbers and sales increased **significantly** due to success of everyday low price (EDLP) strategy
- ◆ Despite lower gross profit margin, **achieved increased sales and profits** by securing gross profit through net sales growth and controlling SG&A expenses

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

	FYE May 2023 Results		FYE May 2024 Results			
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	Vs plan (%)
Net sales	380,963	100.0	422,330	100.0	110.9	99.7
Gross profit	102,987	27.0	110,187	26.1	107.0	99.6
SG&A expenses	84,075	22.1	89,959	21.3	107.0	100.3
Operating profit	18,912	5.0	20,227	4.8	107.0	96.4
Ordinary profit	19,428	5.1	20,882	4.9	107.5	96.7
Profit attributable to owners of parent	12,925	3.4	13,691	3.2	105.9	98.1

### Net sales

In addition to increased opportunities to go out thanks to reclassification of COVID-19 as a Class 5 disease, EDLP strategy saw continued success from the previous fiscal year

### Gross profit

Due to a reactionary decline in high gross profit products such as masks, a drop in prescriptions gross profit margin, and changes in the gross profit mix

YoY difference: -0.9pts

### SG&A expenses

Rise in utility expenses contained through government subsidies and personnel costs controlled

YoY difference: -0.8pts

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

May 31, 2023 Total assets 194,941		May 31, 2024 Total assets 216,481 (+21,540)	
Current assets 99,631	Total liabilities 78,532	Current assets 107,191 (+7,559)	Total liabilities 86,238 (+7,706)
Non-current assets 95,310	Total net assets 116,409	Non-current assets 109,290 (+13,980)	Total net assets 130,243 (+13,833)

(Millions of yen)

■ <b>Current assets</b>	<b>+7,559</b>
Increase in cash and deposits	+686
Increase in accounts receivable	+2,118
Increase in merchandise	+3,518
■ <b>Non-current assets</b>	<b>+13,980</b>
Distribution center deposits, etc.	+5,083
Buildings and structures	+8,730
■ <b>Total liabilities</b>	<b>+7,706</b>
Increase in accounts payable	+5,872
■ <b>Total net assets</b>	<b>+13,833</b>
Retained earnings	+10,277
Disposal of treasury shares through share options	+3,261

## 4. Consolidated Cash Flows for FYE May 2023

### ■ Consolidated Statements of Cash Flows

	FYE May 2023	FYE May 2024	
	(Millions of yen)	(Millions of yen)	Change
Net cash provided by operating activities	18,985	21,034	+2,049
Net cash used in investing activities	-20,491	-20,207	+284
Net cash used in financing activities	-3,034	-140	+2,893
Net increase (decrease) in cash and cash equivalents	-4,541	686	+5,227
Cash and cash equivalents at end of period	37,126	37,812	+686

### ■ Depreciation and amortization

	FYE May 2023	FYE May 2024	
	(Millions of yen)	(Millions of yen)	Change
Capital investment	21,558	21,143	-415
Depreciation and amortization	4,195	4,847	+651

## 5. Store Openings/Closings

### ■ Store openings/closings and renovations

No. of store openings in FYE May 2024		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Annual
Store opening	Drug stores	20	2	4	11	3	3	43
	Prescription drug stores	24	2	7	10	4	1	48

- **Store closings: 8 drug stores** (1 scrap and build, 5 after completion of contract, and 2 to improve management efficiency)
- **Renovations: 34 stores** (18 revised merchandising, 13 follow-up after prescription drug store openings, 2 expansion/renovation, and 1 renovation to expand prescriptions)

### ■ No. of stores at year end

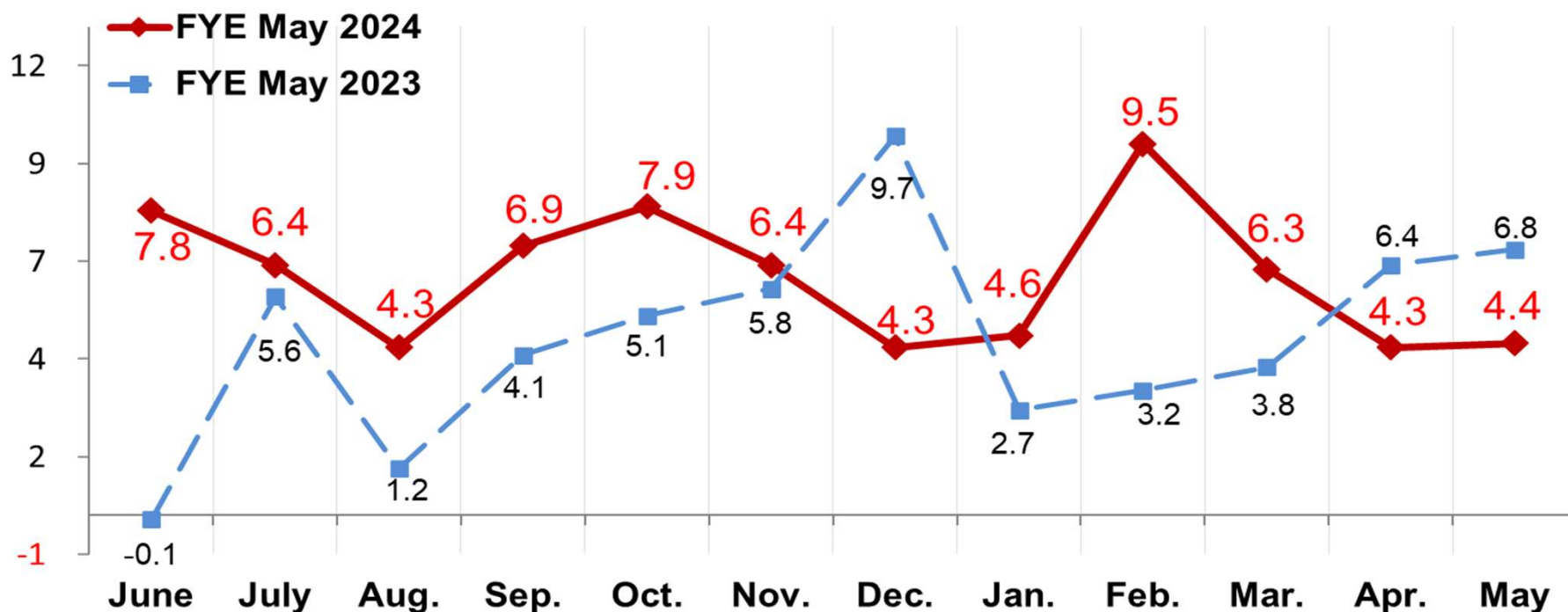
	Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Annual
Drug stores	420	113	97	65	23	34	752
<i>In-store pharmacies</i>	225	55	35	38	17	10	380
<i>Rate of in-store pharmacies</i>	53.6%	48.7%	36.1%	58.5%	73.9%	29.4%	50.5%
Dedicated prescription drug stores	27	7	0	2	1	1	38
Supermarkets / Fresh produce stores	6	0	0	0	0	0	6
Total no. of stores	453	120	97	67	24	35	796



## 6. Performance Highlights

■ YoY net sales comparison at all existing stores: **106.1%** (H1: 106.6%; H2: 105.5%)

└ OTC: **105.3%** Prescriptions: **111.5%**



Successful EDLP strategy amid rising prices and increasing 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

Prevalence of acute illnesses such as colds and influenza

Leap year

## 6. Performance Highlights

### ■ Net sales by segment

	FYE May 2023 Results		FYE May 2024 Results		
	Net sales (Millions of yen)	Share (%)	Net sales (Millions of yen)	Share (%)	YoY change (%)
Medical and health products	104,590	27.8	111,686	26.7	106.8
OTC	61,110	16.2	61,169	14.6	100.1
Prescriptions	43,479	11.6	50,517	12.1	116.2
Cosmetics	44,519	11.8	47,768	11.4	107.3
Food products	151,719	40.3	176,791	42.3	116.5
Daily products	57,172	15.2	62,070	14.9	108.6
Other*	18,134	4.8	19,787	4.7	109.1
Total	376,135	100.0	418,104	100.0	111.2

#### Medical and health products

##### OTC

Strong sales of cold-related products such as cold medicines despite a drop in sales of masks and antigen test kits, etc.

##### Prescriptions

Increased number of prescriptions filled from promotion of in-store pharmacies

Prescriptions as a percentage of sales up 12.1% (+0.5 pts)

#### Cosmetics

Demand for makeup cosmetics on recovery trend due to more people going out and greater movement

#### Food products

Increased sales due to better food product lineup primarily at large-scale stores, and successful EDLP strategy

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

## 6. Performance Highlights

### ■ Prescription drug store department

	FYE May 2023 Results	FYE May 2024 Results	YoY change (%)
Sales at all stores (millions of yen)	43,479	50,517	116.2
No. of prescriptions (thousands)	4,605	5,491	119.2
Prescription unit price (yen)	9,221	9,032	97.9
Sales at existing stores (millions of yen)	43,372	48,370	111.5
No. of prescriptions (thousands)	4,592	5,224	113.8
Prescription unit price (yen)	9,227	9,100	98.6
Home-based dispensing sales (millions of yen)	1,334	1,420	106.5
No. of stores offering home-based dispensing services	187	192	+5
No. of prescriptions (thousands)	89	91	103.1
Gross profit margin at all stores (%)	42.8	40.7	-2.1

#### No. of prescriptions

- Promotion of in-store pharmacies and cooperation with medical institutions
- Increase in acute prescriptions due to the prevalence of colds and influenza
- Reclassification of COVID-19 as a Class 5 disease, and recovery from the reluctance to seek medical attention

#### Prescription unit price

- Downward trend due to the impact of medical fees and drug price revisions, as well as an increase in acute prescriptions

#### Gross profit margin

- Dispensing technical fee reduced due to revision of medical fees in April 2022 (Basic fee reduction: From April 2023 at the Company)
- Impact of April 2023 drug price revisions

## 6. Performance Highlights

### ■ Gross profit margin / SG&A ratio

	FYE May 2023 Results		FYE May 2024 Results		YoY Change	
	Result (millions of yen)	Share	Result (millions of yen)	Share	Change (%)	YoY (%)
Amount of sales	376,135	–	418,104	–	–	111.2
Gross profit	102,283	27.2	109,531	26.2	–1.0	107.1

#### Gross profit margin

- Reactionary drop in high gross profit products such as masks and disinfecting products, and antigen test kits
- Continued promotion of EDLP strategy
- Decrease in prescriptions gross profit margin due to prescription medical fees and drug price revisions
- Change in gross profit mix due to a higher proportion of food sales

**YoY difference: –1.0pt**

	FYE May 2023 Results		FYE May 2024 Results		YoY Change	
	Result (millions of yen)	Share	Result (millions of yen)	Share	Change (%)	YoY (%)
Total personnel expenses	46,478	12.4	49,743	11.9	–0.5	107.0
Utility expenses	3,947	1.0	3,943	0.9	–0.1	99.9
Depreciation and amortization	4,097	1.1	4,768	1.1	+0.0	116.4
Commissions paid	4,725	1.3	5,104	1.2	–0.1	108.0
Land/office rent	16,582	4.4	17,332	4.1	–0.3	104.5
Selling, general and administrative expenses	84,639	22.5	90,949	21.8	–0.7	107.5

#### SG&A ratio

##### Personnel expenses

- Control of personnel costs through appropriate allocation of personnel
- Employee performance-linked bonus (introduced from the end of May 2024)

##### Utility expenses

- Rise contained through government subsidies

##### Land/office rent

- Lower percentage of sales due to increase in company-owned properties

**YoY difference: –0.7pts**

# FYE May 2025 Plan

# 1. FYE May 2025 Plan (Consolidated)

Full-year	FYE May 2024 Results		FYE May 2025 Plan			
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	(%) (Millions of yen)
Net sales	422,330	100.0	457,600	100.0	108.4	+35,270
Gross profit	110,187	26.1	119,100	26.0	108.1	+8,913
SG&A expenses	89,959	21.3	97,100	21.2	107.9	+7,141
Operating profit	20,227	4.8	22,000	4.8	108.8	+1,773
Ordinary profit	20,882	4.9	22,400	4.9	107.3	+1,518
Profit attributable to owners of parent	13,691	3.2	14,400	3.1	105.2	+709

## Preconditions:

### ■ Existing store sales (YoY)

Company-wide: **102.7%** (H1: 103.1%, H2: 102.4%)

OTC: **101.7%** (H1: 102.3%, H2: 101.2%)

Prescriptions: **110.5%** (H1: 109.7%, H2: 111.3%)

### ■ Store openings/closings and renovations

Store openings: **45 drug stores** **40 prescription drug stores**

Store closings: **8 drug stores**

Renovations: **20 stores**

## 2. Store Opening/Closing Plan

### ■ New store openings

Drug stores: **45 stores** (Previous year: 43 stores)

Prescription drug stores: **40 stores**  
(Previous year: 48 stores)

#### • Strengthen dominant position in existing store areas

- ▶ Promotion of different types of store openings
- ▶ Focus on developing highly competitive large-scale stores
- ▶ Collaboration/cooperation with other business types  
... Collaborate with local supermarkets, attract medical institutions, open in shopping centers, etc.

#### • Promote in-store pharmacies

### ■ Store closings

Drug stores: **8 stores** (Previous year: 8 stores)

- ▶ Scrap and build for new and large-scale stores
- ▶ Concentrate human capital and other management resources  
... Close small stores in dominant areas upon completion of contracts

	No. of stores as of May 31, 2024	No. of stores as of May 31, 2025
Drug stores	752	789
In-store pharmacies	380	420
Rate of in-store pharmacies	50.5%	53.2%
Dedicated prescription drug stores	38	38
Supermarkets / Fresh produce stores	6	5
Total no. of stores	796	832

### 3. FYE May 2025 Initiatives

#### ■ Drug store department

##### ▪ Control gross profit margin while increasing number of customers and items purchased

- ▶ Continued promotion of EDLP strategy
- ▶ Secure gross profit through gross profit mix on sales floor and creative ways of selling
- ▶ Develop new and update private brand products

#### ■ Prescription drug store department

##### ▪ Increase demand for prescriptions by promoting in-store pharmacies and strengthening family pharmacy functions

- ▶ Strengthen interpersonal work and customer service for pharmacists
- ▶ Promote home-based demand and strengthen collaboration with neighboring medical institutions
- ▶ Promote use of prescription pick-up app and develop system for online prescriptions

#### ■ Control SG&A expenses

##### ▪ Rigorous low-cost operations

- ▶ Promote appropriate personnel allocation and control personnel expenses
- ▶ Reduce utility costs by installing solar panels
- ▶ Streamline logistics by establishing and reallocating distribution centers

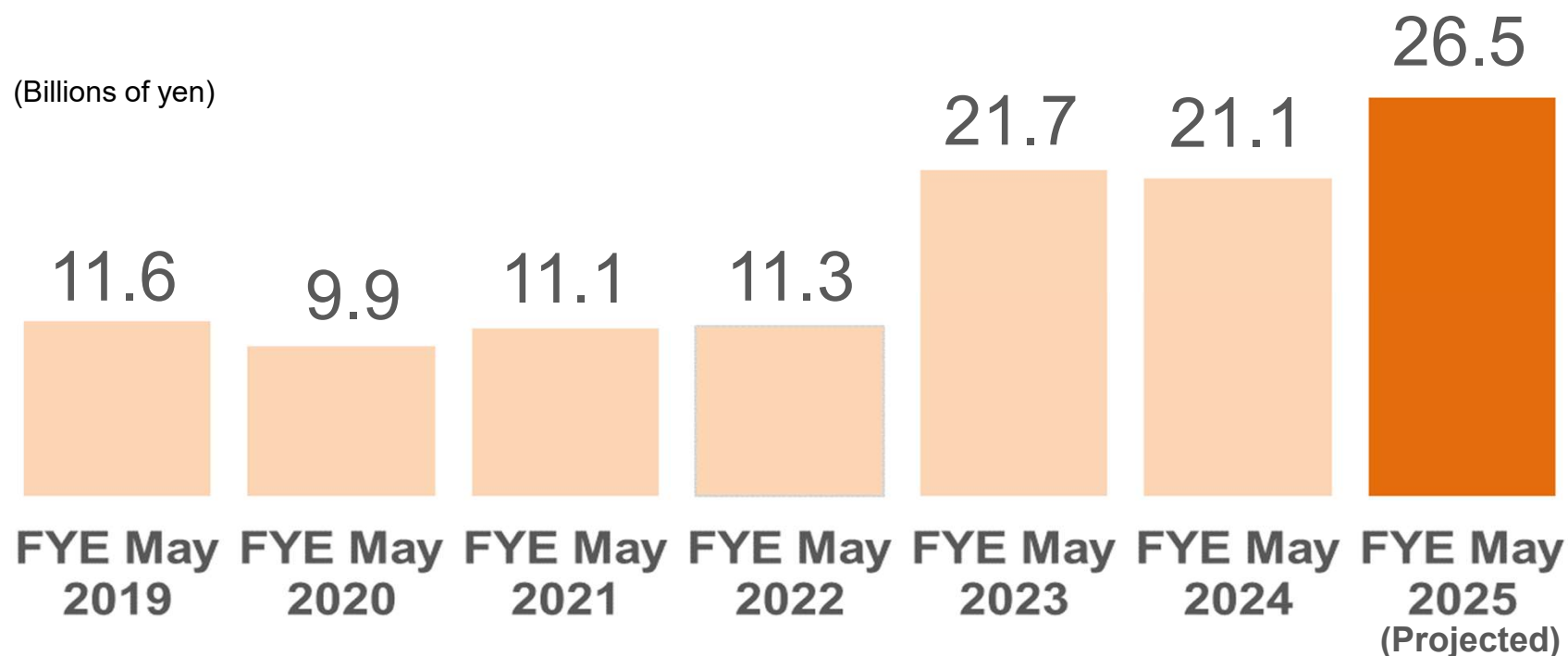


## 4. Capital Investment and Dividends

### ■ Trend in capital investment

#### Plans to continue aggressive capital investment

⇒ Continuing on from the previous fiscal year, we plan to open 45 stores, increase the number of large-scale stores, and expect to invest 7 billion yen in distribution centers, planning record high investment of 26.5 billion yen



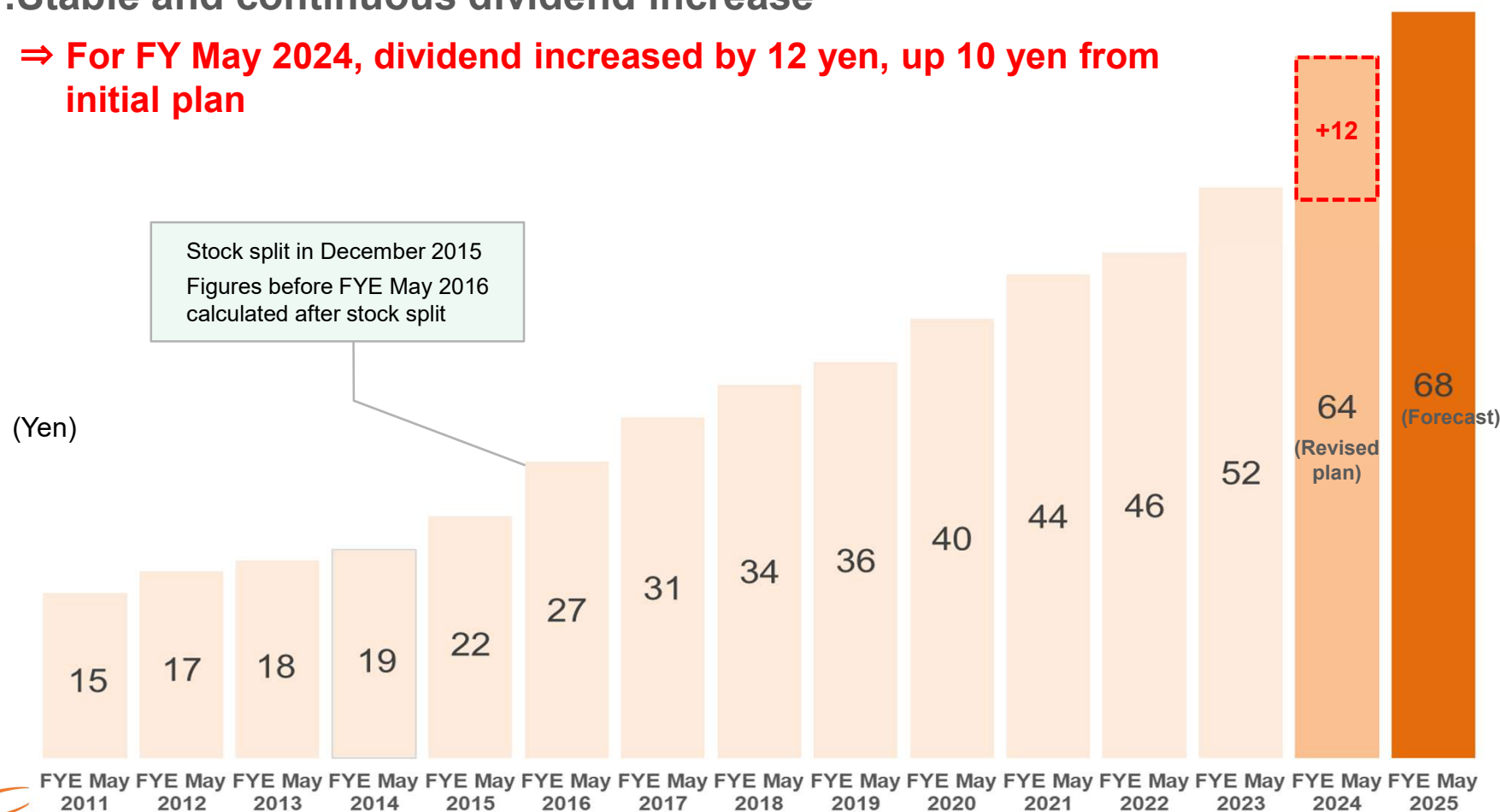
## 4. Capital Investment and Dividends

### ■ Dividends per share

#### Continuous dividend increase over past 13 years

...Stable and continuous dividend increase

⇒ For FY May 2024, dividend increased by 12 yen, up 10 yen from initial plan



## 5. Revision to Medium-term Management Plan

Medium-term Management Plan	FYE May 2025 <u>Revised July 2023</u>	FYE May 2028 <u>Revised July 2023</u>
	(Millions of yen)	(Millions of yen)
Net sales	430,000	520,000
Ordinary profit margin	5.0%	5.0%
No. of stores	850	1,000
In-store pharmacy rate	55.0%	65.0%

Medium-term Management Plan	FYE May 2025 <u>Revised July 2024</u>	FYE May 2028 <u>Revised July 2024</u>
	(Millions of yen)	(Millions of yen)
Net sales	457,600	550,000
Ordinary profit margin	4.9%	5.0%
No. of stores	832	950
In-store pharmacy rate	53.2%	65.0%

### Key points for revising Medium-term Management Plan

- ▶ Due to efforts to control SG&A expenses, such as promoting EDLP strategy, expanding food product lineup, establishing in-store pharmacies, and reviewing sales promotion methods, **sales are expected to significantly exceed plan while the ordinary profit margin is anticipated to be slightly lower**
- ▶ The number of stores and the rate of in-store pharmacies fell short of plan due to larger store sizes and delays in store openings
- ▶ Continue to open stores in dominant areas without compromising precision, while also focusing on growth through expanding store opening areas and pursuing M&A

## 6. Sustainability Management

### ■ Reducing CO<sub>2</sub> emissions



#### • Set environmental KPIs (indicators and targets)

	Fiscal year of target achievement	Indicator and target
(Scope 1 and 2) CO <sub>2</sub> emissions reduction target	FY2030	Reduce emissions per sales floor area by 50% (compared to 2014)

#### • Progress in CO<sub>2</sub> emissions reduction trends

\* Scope of calculation: Create SD Holdings Scope 1 and 2 only

Indicator	FY2014 FYE May 2015	FY2019 FYE May 2020	FY2020 FYE May 2021	FY2021 FYE May 2022	FY2022 FYE May 2023	FY2023 FYE May 2024
Average sales floor area/store (tsubo [3.3 m <sup>2</sup> ])	218.3	221.2	222.1	222.7	225.6	235.5
CO <sub>2</sub> emissions/tsubo (t-CO <sub>2</sub> )	0.470	0.451	0.435	0.432	0.434	Disclosed in Aug 2024 Securities Report

\* Reaction to better power-saving measures in FYE May 2022

#### • Initiatives to reduce emissions

- ▶ Plan to increase number of stores with solar panels installed on rooftops (21 stores as of end of FYE May 2024)
- ▶ Switch/update to energy-saving fixtures/equipment such as store lighting (LED), refrigeration cases, air conditioning, etc.

## 6. Sustainability Management

### ■ Creating a comfortable and rewarding work environment

- Introduction of performance-linked bonus (from FYE May 2024)  
... Returned portion of profits to employees to improve motivation
- Industry leader in terms of shortest total working hours  
... Continued shorter business hours, encouraged taking of paid leave and childcare leave, five-day holiday system, etc.
- Improved ratio of female managers, including store managers and pharmacy managers  
... FYE May 2023: **17.7%** → FYE May 2024: **19.3%**



### ■ Proactive dialogue with investors and better information disclosure (enhanced IR&SR)

- Issued analyst report by Shared Research (published in April 2024)  
... Reports and timely disclosure materials translated into English
- Management with an awareness of capital costs and return on capital, such as ROE/ROIC
- Improved shareholder returns

