



This document is an English translation of a statement written originally in Japanese. The Japanese original should be considered as the primary version.

Consolidated Financial Results for Three Months Ended August 31, 2024 (Japanese GAAP)

October 7, 2024

Name of Listed Company: CREATE SD HOLDINGS CO., LTD.

Listing: Tokyo Stock Exchange

Securities code: 3148

URL: <https://www.createsdhd.co.jp/English/tabid/129/Default.aspx>

Representative: Taizo Hirose, Representative Director and President

Contact: Tetsuya Yamazaki, Executive Officer and General Manager, Finance and Accounting Dept.

Tel: +81-45-914-8241

Scheduled date of start of dividend payment: —

Supplementary materials for the financial results: None

Financial results briefing sessions: None

(Figures are rounded down to the nearest million yen)

1. Consolidated First Quarter Results for Fiscal Year Ending May 31, 2025 (June 1, 2024 to August 31, 2024)

(1) Consolidated Operating Results

(Figures in percentages denote the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended August 31, 2024	113,898	9.4	5,284	10.7	5,471	11.9	3,425	4.0
Three months ended August 31, 2023	104,078	10.1	4,775	0.9	4,888	0.3	3,293	-0.1

(Note) Comprehensive income: Three months ended August 31, 2024: ¥3,407 million (3.3%)

Three months ended August 31, 2023: ¥3,298 million (-0.3%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 31, 2024	53.04	—
Three months ended August 31, 2023	52.09	—

(2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2024	217,427	132,456	60.9
As of May 31, 2024	216,481	130,243	60.2

(Reference) Net assets: As of August 31, 2024: ¥132,456 million

As of May 31, 2024: ¥130,224 million

2. Dividend Payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2024	—	27.00	—	37.00	64.00
Fiscal year ending May 31, 2025	—				
Fiscal year ending May 31, 2025 (forecast)		34.00	—	34.00	68.00

(Note) Revisions to most recently announced dividend forecast: None

3. Consolidated Financial Forecast (From June 1, 2024 to May 31, 2025)

(Figures in percentages denote the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending November 30, 2024	227,300	9.6	10,700	8.6	10,900	7.0	7,300	6.2	113.63
Full-year	457,600	8.4	22,000	8.8	22,400	7.3	14,400	5.2	224.15

(Note) Revisions to most recently announced financial results forecast: None

Notes

(1) Significant changes in the scope of consolidation in the three months ended August 31, 2024: None

Newly consolidated: — companies (company name(s)); Deconsolidated: — companies (company name(s))

Notes on significant changes in the scope of consolidation during period

(2) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: Yes

Notes on application of accounting treatments specific to preparation of quarterly consolidated financial statements

(3) Changes in accounting policies, changes of accounting estimates and restatement

(i) Changes in accounting policies due to amendments to accounting standards: None

(ii) Other changes in accounting policies: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

Notes on changes in accounting policies

(4) Issued shares (common shares)

(i) Issued shares (including treasury shares) at period-end:

Three months ended August 31, 2024	66,819,342 shares	Fiscal year ended May 31, 2024	66,819,342 shares
Three months ended August 31, 2024	2,217,058 shares	Fiscal year ended May 31, 2024	2,576,458 shares
Three months ended August 31, 2024	64,582,384 shares	Three months ended August 31, 2023	63,218,485 shares

(ii) Treasury shares at period-end:

(iii) Average issued shares during period:

Note on issued shares

Review of the attached quarterly consolidated financial statements by a certified public accountant or audit firm: None

Cautionary statement regarding business results forecasts and special notes

(Notes concerning forward-looking statements, etc.)

The financial forecasts and other forward-looking statements contained herein are based on currently available information and certain assumptions considered by the Company to be reasonable. Actual financial results may differ materially due to various factors. Refer to “(3) Overview of Consolidated Financial Results Forecast and Future Expectations” on page 3 of the supplementary material for the underlying assumptions and proper use of the forecasts.

Contents

1. Qualitative Information Related to Consolidated Financial Results.....	2
(1) Overview of Operating Results	2
(2) Overview of Financial Position	3
(3) Overview of Consolidated Financial Results Forecast and Future Expectations	3
2. Consolidated Financial Statements and Notes	4
(1) Consolidated Balance Sheet	4
(2) Consolidated Statements of Income and Comprehensive Income	6
Consolidated Statement of Income.....	6
First three months of the fiscal year ending May 31, 2025	6
Consolidated Statement of Comprehensive Income.....	7
First three months of the fiscal year ending May 31, 2025	7
(3) Notes to Consolidated Financial Statements	8
Going concern assumption	8
Notes in case of significant changes in shareholders' equity.....	8
Application of specific accounting treatment in the preparation of consolidated financial statements	8
Notes on changes in accounting policies	8
Segment information.....	8
Notes on consolidated statements of cash flows	8
3. Supplemental Information.....	9
(1) Production, Orders Received, and Sales.....	9

1. Qualitative Information Related to Consolidated Financial Results

(1) Overview of Operating Results

During the first three months of the fiscal year ending May 31, 2025 (June 1, 2024 to August 31, 2024), the Japanese economy showed a gradual recovery trend, supported by improvements in employment and income conditions, as well as an increase in the number of foreign visitors to Japan, contributing to the normalization of economic and social activities. However, the economic outlook remains uncertain. This is due notably to a slowdown in personal consumption as real wages stagnate while the cost of living continues to rise due to soaring resource prices.

In the drug store industry, the environment surrounding the Company has become increasingly challenging due to the intensified competition from the opening of stores by competitors across different sectors and business models, heightened price competition, and industry consolidation among major players.

Under these circumstances, the Group is promoting comprehensive health care support for regional contribution in the domains of daily life, prevention, medical care, and nursing care as we continue to strengthen our dominant position in existing areas, mainly in in-store prescription drug stores, to achieve the Medium-term Management Plan.

Drug Stores

The drug store business faced a further strengthening of the tendency among households to seek money savings and consume selectively. In response, we continued to promote our everyday low prices (EDLP) strategy offering affordable prices at all times, thus acting as a lifeline to support the health and lifestyles of local customers and patients. We also continued our efforts to realize quick, one-stop shopping by promoting in-store prescription drug stores and improving convenience and expertise in small trade areas by expanding the lineup of fresh foods and other food products.

During the first three months of the fiscal year ending May 31, 2025, the continued promotion of our EDLP strategy led to a favorable performance, with both net sales and customer numbers at existing stores increasing year on year. In the prescriptions division, while the effects of medical fee and drug price revisions, as well as the recovery from the reluctance to seek medical attention, appear to have leveled off, the number of in-store prescription drug stores increased, and there was a rise in prescriptions for acute medical conditions, such as those for COVID-19. As a result, both the number of prescriptions filled and the prescription unit price remained strong. On the cost side, we thoroughly implemented low-cost operations and worked to reduce expenses, including personnel expenses, which resulted in both net sales and profits exceeding the previous fiscal year's results and our plan.

During the period, we opened 10 new drug stores. Meanwhile, we also closed one for which the contract expired. In terms of prescription drug stores, we opened six in-store prescription drug stores.

Nursing Care

As society ages, we are operating two paid assisted living facilities characterized by delicious meals for elderly people who want to live safely and securely under the care of nursing staff as well as 37 half-day rehabilitative adult care centers for those who want to continue living at home. For our paid assisted living facilities and adult day care services we have put every effort into customer service, which is one of the distinctive characteristics of our Group, to increase user satisfaction and improve occupancy rates.

Owing to the efforts above, the number of Group stores as of August 31, 2024, was as follows: 761 drug stores, two supermarkets, and four combination drug store/fresh produce stores. The total number of prescription drug stores was 424, consisting of 37 dedicated prescription drug stores and 387 in-store prescription drug stores. The Group also has two paid assisted living facilities and 37 half-day adult care centers in the nursing care business.

As a result of the above, net sales for the first three months of fiscal year ending May 31, 2025 were 113,898 million yen (up 9.4% year on year), operating profit was 5,284 million yen (up 10.7%), ordinary profit was 5,471 million yen (up 11.9%), and profit attributable to owners of parent was 3,425 million yen (up 4.0%).

(2) Overview of Financial Position

Total assets as of August 31, 2024 were 217,427 million yen, up 945 million yen from the end of the previous fiscal year. The main factors were a 237 million yen increase in accounts receivable - trade, 1,236 million yen in non-current assets, 2,339 million yen in cash and deposits, and a 1,996 million yen decrease in accounts receivable - other.

Total liabilities as of August 31, 2024 were 84,970 million yen, down 1,267 million yen from the end of the previous fiscal year. The main factors were a 1,684 million yen decrease in accrued income taxes, which exceeded the 737 million yen increase in accounts payable - trade.

Net assets as of August 31, 2024 were 132,456 million yen, up 2,213 million yen from the end of the previous fiscal year. The main factors were a 2,376 million yen decrease due to dividends paid, an increase of 763 million yen in capital surplus due to exercise of share options, a decrease of 438 million yen in treasury shares, and the recording of 3,425 million yen in profit attributable to owners of parent.

(3) Overview of Consolidated Financial Results Forecast and Future Expectations

At this time, no changes have been made to the forecast for the fiscal year ending May 31, 2025 announced on July 8, 2024.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2023 (As of May 31, 2024)	1Q of FY2024 (As of August 31, 2024)
Assets		
Current assets		
Cash and deposits	38,212	40,551
Accounts receivable - trade	15,431	15,668
Merchandise	42,015	41,162
Other	11,531	9,517
Total current assets	107,191	106,899
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,493	37,310
Land	27,274	27,274
Other, net	8,412	8,505
Total property, plant and equipment	72,180	73,089
Intangible fixed assets		
Goodwill	372	351
Other	770	715
Total intangible assets	1,142	1,066
Investments and other assets		
Long-term loans receivable	10,024	10,322
Leasehold and guarantee deposits	11,939	12,047
Other	14,063	14,062
Allowance for doubtful accounts	(60)	(61)
Total investments and other assets	35,967	36,371
Total non-current assets	109,290	110,527
Total assets	216,481	217,427
Liabilities		
Current liabilities		
Accounts payable - trade	56,357	57,094
Accrued income taxes	3,444	1,759
Accrued bonuses	387	2,061
Provision for bonuses for directors (and other officers)	157	37
Provision for point card certificates	160	170
Asset retirement obligations	6	11
Provision for loss on store closings	36	36
Other	16,974	14,550
Total current liabilities	77,524	75,722
Non-current liabilities		
Net defined benefit liability	3,234	3,323
Asset retirement obligations	3,925	3,972
Provision for loss on subleasing	24	22
Allowance for losses on cancellation	—	419
Other	1,529	1,509
Total non-current liabilities	8,714	9,248
Total liabilities	86,238	84,970

(Millions of yen)

	FY2023 (As of May 31, 2024)	1Q of FY2024 (As of August 31, 2024)
Net assets		
Equity capital		
Share capital	1,000	1,000
Capital surplus	2,945	3,709
Retained earnings	129,019	130,067
Treasury shares	(3,144)	(2,705)
Total shareholders' equity	129,821	132,071
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39	39
Remeasurements of defined benefit plans	363	345
Total accumulated other comprehensive income	403	385
Share options	18	—
Total net assets	130,243	132,456
Liabilities and net assets	216,481	217,427

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

First three months of the fiscal year ending May 31, 2025

(Millions of yen)

	1Q of FY2023 (From June 1, 2023 to August 31, 2023)	1Q of FY2024 (From June 1, 2024 to August 31, 2024)
Net sales	104,078	113,898
Cost of sales	77,399	84,839
Gross profit	26,678	29,059
Selling, general and administrative expenses		
Provision for point card certificates	161	170
Salaries and allowances	8,925	9,486
Provision for bonuses	1,492	2,061
Provision for directors' bonuses	35	34
Retirement benefit expenses	192	173
Depreciation and amortization	1,048	1,247
Land/office rent	4,268	4,479
Other	5,778	6,121
Total selling, general and administrative expenses	21,902	23,775
Operating profit	4,775	5,284
Non-operating profit		
Interest income	21	27
Dividend income	0	0
Rent income	90	94
Other	47	107
Total non-operating income	159	229
Non-operating expenses		
Compensation expenses	3	0
Rental expenses	40	40
Other	2	1
Total non-operating expenses	46	42
Ordinary profit	4,888	5,471
Extraordinary profit		
Gain on sale of investment securities	—	1
Total extraordinary income	—	1
Extraordinary losses		
Loss on sale of non-current assets	26	—
Loss on retirement of non-current assets	1	0
Provision for losses on cancellation	—	419
Total extraordinary losses	27	419
Profit before income taxes	4,860	5,053
Income taxes	1,567	1,627
Profit	3,293	3,425
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	3,293	3,425

Consolidated Statement of Comprehensive Income

First three months of the fiscal year ending May 31, 2025

(Millions of yen)

	1Q of FY2023 (From June 1, 2023 to August 31, 2023)	1Q of FY2024 (From June 1, 2024 to August 31, 2024)
Profit	3,293	3,425
Other comprehensive income		
Valuation difference on available-for-sale securities	7	(0)
Remeasurements of defined benefit plans, net of tax	(2)	(18)
Total other comprehensive income	5	(18)
Comprehensive income	3,298	3,407
Comprehensive income attributable to:		
Owners of parent	3,298	3,407
Non-controlling interests	—	—

(3) Notes to Consolidated Financial Statements

Going concern assumption

Not applicable

Notes in case of significant changes in shareholders' equity

Following the disposal of treasury shares through the exercise of 1st and 2nd series share options issued on November 22, 2023, the Group's capital surplus in the first three months of the fiscal year ending May 31, 2025 increased by 763 million yen and its treasury shares decreased by 438 million yen. As a result, the capital surplus as of August 31, 2024, stood at 3,709 million yen while treasury shares showed a negative figure of 2,705 million yen.

Application of specific accounting treatment in the preparation of consolidated financial statements

(Calculation of tax expenses)

We make a reasonable estimate of the effective tax rate to be imposed on profit before income taxes in the fiscal year ending May 31, 2025, including the first three months, after applying tax effect accounting and perform the calculation by multiplying profit before income taxes by the estimated effective tax rate.

Notes on changes in accounting policies

(Application of accounting standard for current income taxes, etc.)

The Accounting Standard for Current Income Taxes, etc. (Accounting Standard No. 27, issued on October 28, 2022) has been applied from the beginning of the first quarter of the fiscal year ending May 31, 2025.

There is no impact on the quarterly consolidated financial statements as a result of this application.

Segment information

First three months of the fiscal year ended May 31, 2024 (From June 1, 2023 to August 31, 2023)

Since the Group has a high proportion of drug store business which is considered to be of little importance as disclosed information, segment information has been omitted.

First three months of the fiscal year ending May 31, 2025 (From June 1, 2024 to August 31, 2024)

Since the Group has a high proportion of drug store business which is considered to be of little importance as disclosed information, segment information has been omitted.

Notes on consolidated statements of cash flows

The consolidated quarterly statement of cash flows for the first three months of the fiscal year ending May 31, 2025 has not been prepared. However, depreciation for the first quarter (including depreciation and amortization of intangible assets, excluding goodwill) and the amortization of goodwill are as follows.

	(Millions of yen)	
	1Q of FY2023 (From June 1, 2023 to August 31, 2023)	1Q of FY2024 (From June 1, 2024 to August 31, 2024)
Depreciation and amortization	1,055	1,260
Amortization of goodwill	29	20

3. Supplemental Information

(1) Production, Orders Received, and Sales

1) Sales results

(i) Sales results by product division

Sales results by product division during the first three months of the fiscal year ending May 31, 2025 were as follows:

Product division	1Q of FY2024 (From June 1, 2024 to August 31, 2024)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	28,876	105.3
OTC	15,538	100.5
Prescription drug stores	13,338	111.5
Cosmetics	13,127	106.0
Food products	48,035	112.8
Daily products	17,364	109.8
Other	5,261	109.5
Subtotal	112,665	109.4
Supermarkets	623	123.1
Nursing Care		
Paid assisted living facilities	184	108.0
Adult day care services	373	104.3
Subtotal	557	105.5
Revenue from contracts with customers	113,847	109.4
Other revenue (Note)	51	145.3
Total	113,898	109.4

(Note) Other revenue includes rent income based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

(ii) Sales results by region

Sales results by region during the first three months of the fiscal year ending May 31, 2025 were as follows:

	1Q of FY2023 (From June 1, 2023 to August 31, 2023)		1Q of FY2024 (From June 1, 2024 to August 31, 2024)	
	Amount (millions of yen)	Share (%)	Amount (millions of yen)	Share (%)
Kanagawa	63,808	61.3	69,316	60.9
Tokyo	14,889	14.3	15,485	13.6
Shizuoka	11,556	11.1	12,403	10.9
Chiba	8,558	8.2	10,480	9.2
Other	5,264	5.1	6,212	5.5
Total	104,078	100.0	113,898	100.0

2) Purchase results

Purchase results by product division during the first three months of the fiscal year ending May 31, 2025 were as follows:

Product division	1Q of FY2024 (From June 1, 2024 to August 31, 2024)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	17,294	107.4
OTC	9,102	105.8
Prescription drug stores	8,192	109.3
Cosmetics	7,659	104.9
Food products	41,951	112.4
Daily products	11,968	106.9
Other	4,099	111.0
Subtotal	82,973	109.7
Supermarkets	489	128.4
Nursing Care		
Paid assisted living facilities	—	—
Adult day care services	—	—
Subtotal	—	—
Purchases for revenue from contracts with customers	83,462	109.8
Other revenue	—	—
Total	83,462	109.8