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## Consolidated Financial Results for Nine Months Ended February 28, 2022 (Japanese GAAP)

April 4, 2022

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

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Supplementary materials for the financial results: None

Quarterly results briefing sessions: None

(Figures are rounded down to the nearest million yen)

### 1. Consolidated Third Quarter Results for Fiscal Year Ending May 31, 2022 (June 1, 2021 to February 28, 2022)

#### (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)	%
Nine months ended February 28, 2022	260,636	3.3	13,240	-8.2	13,606	-7.8	9,227	-7.9
Nine months ended February 28, 2021	252,374	8.5	14,426	19.1	14,752	19.1	10,014	19.4

(Note) Comprehensive income: Nine months ended February 28, 2022: ¥9,234 million (-8.3%)

Nine months ended February 28, 2021: ¥10,070 million (19.4%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended February 28, 2022	145.95	—
Nine months ended February 28, 2021	158.40	—

The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 revised March 31, 2020) effective from the beginning of the first quarter of the fiscal year ending May 31, 2022. Said standard has been applied to financial statement data contained herein for the nine months ended February 28, 2022.

#### (2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of February 28, 2022	166,896	103,013	61.7
As of May 31, 2021	163,824	96,638	59.0

(Reference) Net assets: As of February 28, 2022: ¥103,013 million

As of May 31, 2021: ¥96,638 million

The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 revised March 31, 2020) effective from the beginning of the first quarter of the fiscal year ending May 31, 2022. Said standard has been applied to financial statement data contained herein for the nine months ended February 28, 2022.

## 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, 2021	—	21.00	—	23.00	44.00
Fiscal year ended May 31, 2022	—	23.00	—		
Fiscal year ending May 31, 2022 (forecast)				23.00	46.00

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

## 3. Consolidated Financial Forecast (From June 1, 2021 to May 31, 2022)

Preliminary remarks on consolidated financial results forecasts

(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
Full-year	352,600	4.2	19,380	4.0	19,800	3.9	12,770	3.2	202.00

(Notes)

1. Revisions to most recently announced financial results forecast: None
2. The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 revised March 31, 2020) effective from the beginning of the first quarter of the fiscal year ending May 31, 2022. Said standard has been applied to the above consolidated financial results forecasts.

## Notes

- (1) Significant changes of subsidiaries in nine months ended February 28, 2022 (changes in specific subsidiaries accompanied by a change in the scope of consolidation): None  
 Newly consolidated: — companies (company name(s)); Deconsolidated: — companies (company name(s))

## Notes on significant changes of subsidiaries during period

- (2) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: Not applicable

## 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: Yes  
 (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:

- (ii) Treasury shares at period-end:

- (iii) Average issued shares during period:

Nine months ended February 28, 2022	66,819,342 shares	Fiscal year ended May 31, 2021	66,819,342 shares
Nine months ended February 28, 2022	3,600,755 shares	Fiscal year ended May 31, 2021	3,600,728 shares
Nine months ended February 28, 2022	63,218,596 shares	Nine months ended February 28, 2021	63,218,650 shares

## Note on issued shares

This financial summary is not subject to a quarterly review by certified public accountants or audit firms.

## 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.

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## 1. Qualitative Information Related to Consolidated Financial Results

### (1) Overview of Operating Results

During the first nine months of the fiscal year ending May 31, 2022, the future of the Japanese economy remained uncertain due to heightened geopolitical risks on top of the ongoing difficult circumstances arising from the COVID-19 pandemic.

The business environment in the drug store industry remains harsh due to the entry of new competitors from other industries and an increase in consolidation and restructuring on top of new store openings by competitors and intensification of price competition.

Under these circumstances, the Group will promote comprehensive health care support for regional contribution in the domains of daily life, prevention, medical care, and nursing care.

#### Drug Stores

In the drug store business, our top priority is the safety and security of our customers, patients, and employees. While voluntarily refraining from sales promotions that would create waves of customer attraction, we have been promoting everyday low prices (EDLP) in which we provide products at attractive prices no matter when customers come to our stores. In addition, in order to address the need for one-stop shopping in which the necessities for daily life are available in one place, we worked to renovate our stores to improve food sales, including enhancing our fresh and frozen food offerings. At the same time, we promoted in-store prescription drug stores and continued to focus on improving convenience and expertise in small trade areas. In regard to the impact of COVID-19, there was a reactionary drop in demand in response to expanded demand in the previous year driven by products to prevent the spread and stay-at-home products, but due in part to the resurgence of COVID-19 caused by the spread of the Omicron variant starting in January, net sales were strong, driven by food products.

We established a Sustainability Promotion Committee chaired by the President and Representative Director to engage in efforts to promote sustainability management. The committee established a Basic Policy on Sustainability and identified material issues (materiality). We also worked on strengthening the governance structure, including by establishing a Nomination and Remuneration Committee as an advisory body to the Board of Directors.

During the period, we opened 20 new drug stores. Meanwhile, we also closed one for which the contract expired.

Moreover, we opened 32 new in-store prescription drug stores and two dedicated prescription drug stores. This total of 34 openings surpassed the number of drug store openings. Meanwhile, we also closed one dedicated prescription drug store for which the contract expired.

#### Nursing Care

As society ages, we are operating paid assisted living facilities characterized by delicious meals for elderly people that want to live safely and securely under the care of nursing staff as well as an adult day care center characterized by functional maintenance and recovery training for living at home for those who want to live at home as long as possible.

During the first nine months of the fiscal year ending May 31, 2022, we took care to prevent the spread of COVID-19 in our paid assisted living facilities and adult day care services while also pouring effort into customer service, which is one of the distinctive characteristics of our Group, to increase user satisfaction and improve operating rate. In addition, in order to improve the profitability of adult day care services, we increased the capacity per facility.

Owing to the efforts above, as of the end of the first nine months of the fiscal year ending May 31, 2022, the number of the Group's drug stores came to 678, the number of dedicated prescription drug stores to 37, and the number of in-store prescription drug stores to 258, for a total of 295 stores in the drug store business. The Group also has five stores in the supermarket business and two paid assisted living facilities and 39 adult day care service centers in the nursing care business.

As a result of the above, the financial results for the first nine months of the fiscal year ending May 31, 2022 were as follows: Net sales came in at ¥260,636 million (up 3.3% year on year), operating profit was ¥13,240 million (down 8.2%), ordinary profit was ¥13,606 million (down 7.8%), and profit attributable to owners of parent was ¥9,227 million (down 7.9%).

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied as of the beginning of the first quarter of the fiscal year ending May 31, 2022. For this reason, the figures for comparison with the previous year are based on calculation methods set forth under different standards. See “(3) Notes to Consolidated Financial Statements (Changes to accounting policies)” under “2. Consolidated Financial Statements and Notes” for details.

## (2) Overview of Financial Position

Total assets as of February 28, 2022 were ¥166,896 million, up ¥3,071 million from the end of the previous fiscal year. The main factors were a ¥588 million increase in merchandise and a ¥4,909 million increase in non-current assets as well as a ¥2,143 million decrease in cash and deposits.

Total liabilities as of February 28, 2022 were ¥63,882 million, down ¥3,303 million from the end of the previous fiscal year. The main factors were a ¥938 million decrease in accounts payable, a ¥3,440 million decrease in provision for point card certificates, and a ¥1,624 million decrease in accrued income taxes.

Total net assets as of February 28, 2022 were ¥103,013 million, up ¥6,375 million from the end of the previous fiscal year. The main factors were a ¥2,908 million decrease in dividends paid and recording of ¥9,227 million 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 forecasts for the fiscal year ending May 31, 2022 announced on July 12, 2021.

## 2. Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheet

(Millions of yen)

	FY2020 (As of May 31, 2021)	3Q of FY2021 (As of February 28, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	39,282	37,138
Accounts receivable - trade	9,682	10,356
Merchandise	33,456	34,044
Other	8,663	7,705
Total current assets	91,084	89,246
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,898	22,079
Land	15,272	17,196
Other, net	4,504	4,381
Total property, plant and equipment	40,675	43,658
Intangible fixed assets		
Goodwill	712	623
Other	885	918
Total intangible assets	1,598	1,541
Investments and other assets		
Long-term loans receivable	9,776	9,722
Leasehold and guarantee deposits	10,867	11,172
Other	9,867	11,597
Allowance for doubtful accounts	(45)	(43)
Total investments and other assets	30,466	32,450
Total non-current assets	72,740	77,650
Total assets	163,824	166,896
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	41,699	40,760
Accrued income taxes	3,297	1,672
Accrued bonuses	328	1,545
Provision for bonuses for directors (and other officers)	128	112
Provision for point card certificates	3,596	155
Asset retirement obligations	19	19
Other	10,700	11,888
Total current liabilities	59,769	56,154
Non-current liabilities		
Net defined benefit liability	2,708	2,973
Asset retirement obligations	3,238	3,371
Provision for loss on subleasing	32	39
Other	1,438	1,344
Total non-current liabilities	7,416	7,728
Total liabilities	67,186	63,882

(Millions of yen)

	FY2020 (As of May 31, 2021)	3Q of FY2021 (As of February 28, 2022)
Net assets		
Equity capital		
Share capital	1,000	1,000
Capital surplus	934	934
Retained earnings	99,114	105,481
Treasury shares	(4,393)	(4,393)
Total shareholders' equity	96,655	103,022
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	22
Remeasurements of defined benefit plans	(40)	(31)
Total accumulated other comprehensive income	(17)	(9)
Total net assets	96,638	103,013
Liabilities and net assets	163,824	166,896



## (2) Consolidated Statements of Income and Comprehensive Income

### Consolidated Statement of Income

First nine months of the fiscal year ending May 31, 2022

(Millions of yen)

	3Q of FY2020 (From June 1, 2020 to February 28, 2021)	3Q of FY2021 (From June 1, 2021 to February 28, 2022)
Net sales	252,374	260,636
Cost of sales	182,777	190,017
Gross profit	69,597	70,619
Selling, general and administrative expenses		
Provision for point card certificates	3,546	155
Salaries and allowances	21,954	24,013
Provision for bonuses	1,372	1,482
Provision for directors' bonuses	94	103
Retirement benefit expenses	373	334
Depreciation and amortization	2,638	2,794
Land/office rent	11,159	11,934
Other	14,031	16,560
Total selling, general and administrative expenses	55,170	57,378
Operating profit	14,426	13,240
Non-operating profit		
Interest income	73	69
Dividend income	0	0
Gain on receipt of donated non-current assets	66	35
Rent income	226	229
Other	101	162
Total non-operating income	469	498
Non-operating expenses		
Interest expenses	0	—
Compensation expenses	3	0
Rental expenses	129	127
Other	8	4
Total non-operating expenses	142	132
Ordinary profit	14,752	13,606
Extraordinary profit		
Subsidy income	2	—
Total extraordinary income	2	—
Extraordinary losses		
Loss on retirement of non-current assets	3	3
Loss on tax purpose reduction entry of non-current assets	2	—
Total extraordinary losses	5	3
Profit before income taxes	14,749	13,602
Income taxes	4,735	4,375
Profit	10,014	9,227
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	10,014	9,227

Consolidated Statement of Comprehensive Income

First nine months of the fiscal year ending May 31, 2022

(Millions of yen)

	3Q of FY2020 (June 1, 2020 - February 28, 2021)	3Q of FY2021 (June 1, 2021 - February 28, 2022)
Profit	10,014	9,227
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(1)
Remeasurements of defined benefit plans, net of tax	49	8
Total other comprehensive income	55	7
Comprehensive income	10,070	9,234
Comprehensive income attributable to:		
Owners of parent	10,070	9,234
Non-controlling interests	—	—

### (3) Notes to Consolidated Financial Statements

#### **Going concern assumption**

Not applicable

#### **Notes in case of significant changes in shareholders' equity**

Not applicable

#### **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, 2022, including the first nine months, after applying tax effect accounting and perform the calculation by multiplying profit before income taxes by the estimated effective tax rate.

#### **Changes to accounting policies**

(Adoption of accounting standard related to revenue recognition)

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been adopted as of the beginning of the first quarter of the fiscal year ending May 31, 2022. The amount to be received in exchange for goods or services is recognized as revenue at the point when control of the promised goods or services is transferred to the customer. The main changes resulting from this are as follows:

- (1) In regard to the points program operated by the Company, the Company previously recorded the expenses expected in relation to future redemption as a provision, but this has been changed to a method in which the points are recognized as performance obligations, and the recording of revenue is deferred in cases where they provide important rights to the customer.
- (2) In regard to revenue from purchasing for consumption, the Company previously recognized the entire amount as revenue, but this has been changed to a method in which the net amount is recognized as revenue after determining the role (principal or agent) in providing the goods or services to the customer.

In regard to application of the Accounting Standard for Revenue Recognition, following the transitional treatment set forth in the proviso in paragraph 84 of the Accounting Standard for Revenue Recognition, the Company has applied a new accounting policy from the beginning of the fiscal year ending May 31, 2022 in which the cumulative effect is added to or subtracted from retained earnings at the beginning of the first quarter when a new accounting policy is applied retroactively from the beginning of the first quarter.

Because the Accounting Standard for Revenue Recognition was applied, some of the provision for point card certificates presented under current liabilities in the consolidated balance sheet for the previous fiscal year is included under contract liabilities as of the first quarter of the fiscal year ending May 31, 2022. Following the transitional treatment set forth in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company has not restated the financial results of the previous fiscal year to reflect the new method of presentation.

As a result, in the first nine months of the fiscal year ending May 31, 2022, net sales decreased by ¥2,765 million, cost of sales decreased by ¥335 million, selling, general and administrative expenses decreased by ¥2,470 million, while operating profit, ordinary profit, and profit before income taxes each increased by ¥40 million. In addition, the beginning balance of retained earnings increased by ¥48 million.

Following the transitional treatment set forth in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), there is no information on a breakdown of revenue from contracts with customers in the first nine months of the previous fiscal year.

#### **Application of Accounting Standard for Fair Value Measurement**

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) has been applied from the beginning of the first quarter of the fiscal year ending May 31, 2022. Following the transitional treatment set forth in paragraph

19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth in the Accounting Standard for Fair Value Measurement will be applied into the future. This has no impact on the quarterly financial statements.

**Additional Information**

There are no significant changes to the assumptions regarding the impact of COVID-19 described in (Additional Information) and (Accounting Estimates for Impact of COVID-19) in the securities report for the previous fiscal year.

### 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 nine months of the fiscal year ending May 31, 2022 were as follows:

Product division	3Q of FY2021 (From June 1, 2021 to February 28, 2022)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	69,578	103.8
OTC	42,754	97.9
Prescription drug stores	26,823	114.9
Cosmetics	31,332	102.7
Food products	101,091	104.3
Daily products	41,067	101.6
Other	12,606	100.5
Subtotal	255,675	103.3
Supermarkets	3,291	99.1
Nursing Care		
Paid assisted living facilities	565	107.1
Adult day care services	1,016	97.1
Subtotal	1,581	100.5
Revenue from contracts with customers	260,548	103.2
Other revenue (Notes)	88	—
Total	260,636	103.3

(Notes)

1. As stated under Changes to Accounting Policies, the Accounting Standard for Revenue Recognition was applied from the beginning of the first quarter of the fiscal year ending May 31, 2022, which changed the accounting treatment related to revenue recognition. As such, sales by product division have also been changed.
2. 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 nine months of the fiscal year ending May 31, 2022 were as follows:

	3Q of FY2020 (From June 1, 2021 to February 28, 2022)		3Q of FY2021 (June 1, 2021 - February 28, 2022)	
	Amount (millions of yen)	Share (%)	Amount (millions of yen)	Share (%)
Kanagawa	155,586	61.6	162,370	62.3
Tokyo	36,849	14.6	37,110	14.2
Shizuoka	29,765	11.8	29,430	11.3
Chiba	17,330	6.9	18,377	7.1
Other	12,842	5.1	13,347	5.1
Total	252,374	100.0	260,636	100.0

(Note) As stated under Changes to Accounting Policies, the Accounting Standard for Revenue Recognition was applied from the beginning of the first quarter of the fiscal year ending May 31, 2022, which changed the accounting treatment related to revenue recognition. As such, sales by region have also been changed.

(2) Purchase results

Purchase results by product division during the first nine months of the fiscal year ending May 31, 2022 were as follows:

Product division	First nine months of the fiscal year ending May 31, 2022 (From June 1, 2021 to February 28, 2022)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	41,425	92.5
OTC	24,990	81.1
Prescription drug stores	16,434	117.5
Cosmetics	19,719	97.7
Food products	86,664	110.0
Daily products	29,052	103.1
Other	9,680	103.1
Subtotal	186,543	102.9
Supermarkets	2,495	101.3
Nursing Care		
Paid assisted living facilities	—	—
Adult day care services	—	—
Subtotal	—	—
Revenue from contracts with customers	189,038	102.8
Other revenue	—	—
Total	189,038	102.8

(Note) As stated under Changes to Accounting Policies, the Accounting Standard for Revenue Recognition was applied from the beginning of the first quarter of the fiscal year ending May 31, 2022, which changed the accounting treatment related to revenue recognition. As such, purchase results have also been changed.