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Consolidated Financial Results for the Fiscal Year Ended May 31, 2022 (Japanese GAAP)

July 11, 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>

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Scheduled date of the Ordinary General Meeting of Shareholders: August 26, 2022

Scheduled date of start of dividend payment: August 29, 2022

Scheduled filing date of Securities Report: August 29, 2022

Supplementary materials for the financial results: Yes

Financial results briefing sessions: Yes (For securities analysts and institutional investors)

(Figures are rounded down to the nearest million yen)

1. Consolidated Results for Fiscal Year Ended May 31, 2022 (June 1, 2021 to May 31, 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	%
Fiscal year ended May 31, 2022	350,744	3.6	18,176	-2.4	18,665	-2.1	12,595	1.8
Fiscal year ended May 31, 2021	338,476	5.9	18,629	4.7	19,061	4.7	12,376	1.0

(Note) Comprehensive income: Fiscal year ended May 31, 2022: ¥12,544 million (0.2%)

Fiscal year ended May 31, 2021: ¥12,516 million (2.4%)

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
Fiscal year ended May 31, 2022	199.24	—	12.4	11.0	5.2
Fiscal year ended May 31, 2021	195.78	—	13.5	12.0	5.5

(Reference) Share of profit of entities accounted for using equity method:

Fiscal year ended May 31, 2022: ¥— million

Fiscal year ended May 31, 2021: ¥— million

(Note) The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) effective June 1, 2021. Said standard has been applied to financial statement data contained herein for the fiscal year ended May 31, 2022.

(2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2022	176,910	106,323	60.1	1,681.84
As of May 31, 2021	163,824	96,638	59.0	1,528.64

(Reference) Equity ratio: As of May 31, 2022: ¥106,323 million

As of May 31, 2021: ¥96,638 million

(Note) The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) effective June 1, 2021. Said standard has been applied to financial statement data contained herein for the fiscal year ended May 31, 2022.

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended May 31, 2022	16,101	(10,808)	(2,908)	41,667
Fiscal year ended May 31, 2021	11,572	(10,424)	(2,655)	39,282

2. Dividend Payments

	Dividends per share					Total dividends paid (annual)	Dividend payout ratio (consolidated)	Dividend on equity ratio (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended May 31, 2021	—	21.00	—	23.00	44.00	2,781	22.5	3.0
Fiscal year ended May 31, 2022	—	23.00	—	23.00	46.00	2,908	23.1	2.9
Fiscal year ending May 31, 2023 (forecast)	—	25.00	—	25.00	50.00		27.6	

3. Consolidated Financial Forecast (From June 1, 2022 to May 31, 2023)

(% indicates changes from the previous corresponding period.)

	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, 2023	182,270	4.9	7,270	−17.8	7,500	−17.5	5,130	−16.8	81.15
Full-year	371,300	5.9	16,970	−6.6	17,400	−6.8	11,440	−9.2	180.96

Notes

- (1) Significant changes of subsidiaries in fiscal year ended May 31, 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))

- (2) 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

- (3) Issued shares (common shares)

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

Fiscal year ended May 31, 2022	66,819,342 shares	Fiscal year ended May 31, 2021	66,819,342 shares
Fiscal year ended May 31, 2022	3,600,755 shares	Fiscal year ended May 31, 2021	3,600,728 shares
Fiscal year ended May 31, 2022	63,218,593 shares	Fiscal year ended May 31, 2021	63,218,641 shares

- (ii) Treasury shares at period-end:

- (iii) Average issued shares during period:

(Reference) Overview of Non-Consolidated Results

1. Non-Consolidated Results for Fiscal Year Ended May 31, 2022 (June 1, 2021 to May 31, 2022)

(1) Non-Consolidated Operating Results (Figures in percentages denote the year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended May 31, 2022	7,711	-2.6	7,232	-1.5	7,185	-2.2	6,660	-2.2
Fiscal year ended May 31, 2021	7,917	21.6	7,344	23.5	7,346	26.2	6,812	26.3
	Earnings per share		Diluted earnings per share					
	Yen		Yen					
Fiscal year ended May 31, 2022	105.35		—					
Fiscal year ended May 31, 2021	107.76		—					

(2) Non-Consolidated Financial Position

	Total assets	Total net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2022	49,845	49,703	99.7	786.21
As of May 31, 2021	46,141	45,951	99.6	726.86

(Reference) Equity ratio: As of May 31, 2022: ¥49,703 million
 As of May 31, 2021: ¥45,951 million

This financial summary is not subject to audits by certified public accountants or audit firms.

Cautionary statement regarding business results forecasts and special notes

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 “1. Operating Results (4) Future Outlook” on page 3 of the supplementary material for the underlying assumptions and proper use of the forecasts.

Contents

1. Operating Results	2
(1) Operating Results for the Fiscal Year under Review	2
(2) Financial Position	3
(3) Cash Flows.....	3
(4) Future Outlook	3
2. Basic Concept of Selecting Accounting Standards	4
3. Consolidated Financial Statements and Notes.....	5
(1) Consolidated Balance Sheet	5
(2) Consolidated Statements of Income and Comprehensive Income.....	7
(3) Consolidated Statement of Changes in Equity	10
(4) Consolidated Statement of Cash Flows.....	12
(5) Notes to Consolidated Financial Statements.....	13
Going concern assumption	13
Changes to accounting policies	13
Segment information	14
Per share information	14
Significant subsequent events.....	14
4. Other	15
(1) Changes in Officers	15
(2) Other	15

1. Operating Results

(1) Operating Results for the Fiscal Year under Review

During the fiscal year ended May 31, 2022, the outlook for the Japanese economy remained uncertain due to the depreciation of yen, high crude oil prices, and geopolitical risks amid the ongoing impact 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 has been promoting 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 amid the prolonged pandemic. While voluntarily refraining from sales promotions that would attract swathes of customers, we have been promoting everyday low prices 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.

With regard to the impact from the pandemic, while demand for common cold medicines and makeup-related products continued to decline due to lifestyle changes and people washing their hands and wearing masks more, the impact of people refraining from going to prescription drug stores in the previous year has abated with steady demand for prescriptions. As a result, while there was a reactionary drop in demand in the same period of the previous year, driven by products to prevent the spread and stay-at-home products, net sales exceeded the previous fiscal year, driven by strong sales of food products, including fresh foods, and sales at prescription drug stores.

We established a Sustainability Promotion Committee chaired by the President and Representative Director to engage in efforts to promote sustainability management. As well as formulating a Basic Policy on Sustainability and identifying material issues (materiality), the committee has started to look at information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). 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 30 new drug stores. On the other hand, one store has been closed as it is to be demolished and rebuilt, and two stores have closed as their contracts had expired.

In terms of new prescription drug stores, we opened two dedicated prescription drug stores and 48 in-store prescription drug stores, bringing the total number of new stores to 50, which is more than 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 fiscal year under review, 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 occupancy rates. 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 May 31, 2022, the number of the Group's drug stores came to 686, the number of dedicated prescription drug stores to 37, and the number of in-store prescription drug stores to 274, for a total of 311 stores. 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, the financial results for the fiscal year under review were as follows: Net sales came in at 350,744 million yen (up 3.6% year on year), operating profit was 18,176 million yen (down 2.4%), ordinary profit was 18,665 million yen (down 2.1%),

and profit attributable to owners of parent was 12,595 million yen (up 1.8%).

(2) Financial Position

Total assets were 176,910 million yen, up 13,086 million yen from the end of the previous fiscal year. The main factors were an increase of 1,476 million yen in accounts receivable, 2,159 million yen in merchandise, and 6,054 million yen in non-current assets due to an increase in new and soon to be opened stores.

Total liabilities were 70,587 million yen, up 3,400 million yen from the end of the previous fiscal year. The main factors were an increase of 2,529 million yen in accounts payable, 3,580 million yen in contract liabilities, 442 million yen in retirement benefit liability, and 179 million yen in long-term asset retirement obligations, as well as a decrease of 3,431 million yen in provision for point card certificates, and 226 million yen in accrued income taxes.

Net assets were 106,323 million yen, up 9,685 million yen from the end of the previous fiscal year. The main factors were a 2,908 million yen decrease in dividends paid and recording of 12,595 million yen in profit attributable to owners of parent.

(3) Cash Flows

Cash and cash equivalents at the end of the fiscal year under review was 41,667 million yen, up 2,384 million yen from the end of the previous fiscal year.

Cash flows for the fiscal year ended May 31, 2002 were as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to 16,101 million yen, up 4,528 million yen year on year. The main factors of the increase were profit before income taxes of 18,038 million yen, depreciation of 3,983 million yen, and income tax refunds of 923 million yen, which offset cash outflows such as an increase in trade receivables of 1,476 million yen, an increase in inventories of 2,175 million yen, and income taxes paid of 6,963 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 10,808 million yen, up 384 million yen year on year. This was mainly due to 7,473 million yen of purchase of property, plant and equipment associated with the store openings, 762 million yen of loan advances, and 2,714 million yen for store openings in progress.

Cash flows from financing activities

Net cash used in financing activities amounted to 2,908 million yen, up 252 million yen year on year. This is the result of dividends paid of 2,908 million yen.

Capital resources and liquidity of funds

Regarding the Group's capital resources and liquidity of funds, cash obtained mainly from operating activities are used for capital investment for the opening of new stores.

(4) Future Outlook

In the fiscal year ending May 31, 2023, the outlook for Japan's economy is expected to remain uncertain due to concerns about geopolitical risks with the situation in Ukraine and the accompanying surge in energy and materials prices, and with no end in sight to the pandemic.

The harsh business environment in the drug store industry is expected to continue as competition further intensifies across industries and industry reorganization moves heat up.

Under these circumstances, the Group will continue to build market share in local areas by forming a strong and dominant position rooted in comprehensive health care support in the community.

We will continue to open stores with a focus on in-store prescription drug stores, aiming to quickly achieve our target of a 50% in-store pharmacy rate. We will also continue to improve convenience and expertise in small trade areas by expanding the lineup of fresh foods and frozen foods. We will review the business hours of all drug stores which were reduced across the country because of the pandemic in line with any changes in the local area and customer needs. In terms of prescription drug stores, we

will promote digital transformation with the development of a system geared toward e-prescriptions and online medication guidance, and we will work to improve productivity by reviewing our staffing, etc. At the same time, we will concentrate on further strengthening people-focused work, expanding response to demand at home, and training family pharmacists, aiming to become the stores and pharmacies of choice for customers and patients.

With regard to sustainability management, the Sustainability Promotion Committee will play a central role in identifying climate change risks and opportunities, calculating CO₂ emissions, and preparing for information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In cooperation with our customers, patients, and various other stakeholders, we will promote initiatives from both an environmental and social perspective through honest and fair business activities, aiming to achieve both sustainable enhancement of corporate value and the realization of a sustainable society.

In anticipation of a post-pandemic world in the nursing care business, we will increase the number of rooms at paid assisted living facilities where people can live with their favored pets, and we will work to digitize back-end operations in an effort to improve operational efficiency. In the adult day care service business, as well as reorganizing unprofitable facilities, we will improve the quality of our customer service and functional training to improve occupancy rates.

Based on the above, we forecast the financial results for the fiscal year ending May 31, 2023 as follows:

Consolidated Financial Forecast (From June 1, 2022 to May 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Full-year	Millions of yen 371,300	Millions of yen 16,970	Millions of yen 17,400	Millions of yen 11,440

(Reference) Forecast earnings per share: 180.96 yen, average number of shares during the forecast period: 63,218,587 shares

(Note) The above forecasts, which include risks and uncertainties, are made by the Company based on information available at the time. Actual results may differ from these forecasts due to various factors.

2. Basic Concept of Selecting Accounting Standards

The Group presently intends to prepare consolidated financial statements based on Generally Accepted Accounting Principles in Japan (Japanese GAAP) to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of the International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2020 (As of May 31, 2021)	FY2021 (As of May 31, 2022)
Assets		
Current assets		
Cash and deposits	39,282	42,067
Accounts receivable - trade	9,682	11,158
Merchandise	33,456	35,615
Supplies	43	59
Other	8,620	9,214
Total current assets	91,084	98,115
Non-current assets		
Property, plant and equipment		
Buildings and structures	39,385	43,328
Accumulated depreciation	(18,486)	(20,162)
Buildings and structures, net	20,898	23,166
Land	15,272	17,196
Other	23,318	25,006
Accumulated depreciation	(18,814)	(20,598)
Other, net	4,504	4,407
Total property, plant and equipment	40,675	44,770
Intangible fixed assets		
Goodwill	712	593
Other	885	918
Total intangible assets	1,598	1,511
Investments and other assets		
Investment securities	151	161
Long-term loans receivable	9,776	9,868
Deferred tax assets	5,595	6,024
Leasehold and guarantee deposits	10,867	11,251
Other	4,120	5,251
Allowance for doubtful accounts	(45)	(43)
Total investments and other assets	30,466	32,513
Total non-current assets	72,740	78,795
Total assets	163,824	176,910

(Millions of yen)

	FY2020 (As of May 31, 2021)	FY2021 (As of May 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	41,699	44,228
Contract liabilities	—	3,580
Accrued income taxes	3,297	3,070
Accrued bonuses	328	357
Provision for bonuses for directors (and other officers)	128	145
Provision for point card certificates	3,596	164
Asset retirement obligations	19	4
Other	10,700	11,048
Total current liabilities	59,769	62,598
Non-current liabilities		
Net defined benefit liability	2,708	3,150
Asset retirement obligations	3,238	3,417
Provision for loss on subleasing	32	37
Other	1,438	1,383
Total non-current liabilities	7,416	7,988
Total liabilities	67,186	70,587
Net assets		
Equity capital		
Share capital	1,000	1,000
Capital surplus	934	934
Retained earnings	99,114	108,850
Treasury shares	(4,393)	(4,393)
Total shareholders' equity	96,655	106,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	23
Remeasurements of defined benefit plans	(40)	(91)
Total accumulated other comprehensive income	(17)	(68)
Total net assets	96,638	106,323
Liabilities and net assets	163,824	176,910

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY2020 (From June 1, 2020 to May 31, 2021)	FY2021 (From June 1, 2021 to May 31, 2022)
Net sales	338,476	350,744
Cost of sales	245,110	255,165
Gross profit	93,365	95,578
Selling, general and administrative expenses		
Provision for point card certificates	3,596	164
Salaries and allowances	29,725	32,361
Provision for bonuses	298	328
Provision for directors' bonuses	128	135
Retirement benefit expenses	460	480
Depreciation and amortization	3,655	3,822
Land/office rent	14,986	15,984
Other	21,884	24,125
Total selling, general and administrative expenses	74,735	77,402
Operating profit	18,629	18,176
Non-operating profit		
Interest income	97	92
Dividend income	0	1
Gain on receipt of donated non-current assets	87	45
Rent income	301	317
Other	144	211
Total non-operating income	631	668
Non-operating expenses		
Interest expenses	0	—
Provision of allowance for doubtful accounts	11	—
Compensation expenses	4	1
Rental expenses	173	169
Other	8	8
Total non-operating expenses	199	178
Ordinary profit	19,061	18,665
Extraordinary profit		
Subsidy income	13	5
Total extraordinary income	13	5
Extraordinary losses		
Impairment losses	1,152	623
Loss on tax purpose reduction entry of non-current assets	13	5
Other	4	3
Total extraordinary losses	1,169	632

	(Millions of yen)	
	FY2020 (From June 1, 2020 to May 31, 2021)	FY2021 (From June 1, 2021 to May 31, 2022)
Profit before income taxes	17,904	18,038
Income taxes - current	5,932	5,868
Income taxes - deferred	(404)	(425)
Total income taxes	5,527	5,442
Profit	12,376	12,595
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	12,376	12,595

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2020 (From June 1, 2020 to May 31, 2021)	FY2021 (From June 1, 2021 to May 31, 2022)
Profit	12,376	12,595
Other comprehensive income		
Valuation difference on available-for-sale securities	6	0
Remeasurements of defined benefit plans, net of tax	133	(51)
Total other comprehensive income	139	(51)
Comprehensive income	12,516	12,544
Comprehensive income attributable to:		
Owners of parent	12,516	12,544
Non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

FY2020 (From June 1, 2020 to May 31, 2021)

(Millions of yen)

	Equity capital				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,000	934	89,392	(4,393)	86,933
Changes during period					
Dividends of surplus			(2,655)		(2,655)
Profit attributable to owners of parent			12,376		12,376
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	9,721	(0)	9,721
Balance at end of period	1,000	934	99,114	(4,393)	96,655

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	17	(174)	(156)	86,776
Changes during period				
Dividends of surplus				(2,655)
Profit attributable to owners of parent				12,376
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	6	133	139	139
Total changes during period	6	133	139	9,861
Balance at end of period	23	(40)	(17)	96,638

FY2021 (From June 1, 2021 to May 31, 2022)

(Millions of yen)

	Equity capital				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,000	934	99,114	(4,393)	96,655
Cumulative effects of changes in accounting policies			48		48
Restated balance	1,000	934	99,162	(4,393)	96,704
Changes during period					
Dividends of surplus			(2,908)		(2,908)
Profit attributable to owners of parent			12,595		12,595
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	9,687	(0)	9,687
Balance at end of period	1,000	934	108,850	(4,393)	106,391

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	23	(40)	(17)	96,638
Cumulative effects of changes in accounting policies				48
Restated balance	23	(40)	(17)	96,686
Changes during period				
Dividends of surplus				(2,908)
Profit attributable to owners of parent				12,595
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	0	(51)	(51)	(51)
Total changes during period	0	(51)	(51)	9,636
Balance at end of period	23	(91)	(68)	106,323

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2020 (From June 1, 2020 to May 31, 2021)	FY2021 (From June 1, 2021 to May 31, 2022)
Cash flows from operating activities		
Profit before income taxes	17,904	18,038
Depreciation and amortization	3,822	3,983
Impairment losses	1,152	623
Increase (decrease) in allowance for doubtful accounts	11	(2)
Increase (decrease) in provision for bonuses	26	29
Increase (decrease) in provision for bonuses for directors (and other officers)	12	16
Increase (decrease) in provision for point card certificates	149	38
Increase (decrease) in provision for loss on subleasing	(4)	5
Increase (decrease) in retirement benefit liability	333	359
Interest and dividend income	(98)	(93)
Interest expenses	0	—
Decrease (increase) in trade receivables	(1,160)	(1,476)
Decrease (increase) in inventories	(3,529)	(2,175)
Increase (decrease) in trade payables	(444)	2,529
Increase (decrease) in advances received	1,028	288
Other	(1,027)	(26)
Subtotal	18,177	22,137
Interest and dividends received	3	3
Interest paid	(0)	—
Income taxes paid	(7,292)	(6,963)
Income taxes refund	685	923
Net cash provided by operating activities	11,572	16,101
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,398)	(7,473)
Purchase of intangible assets	(582)	(205)
Long-term loan advances	(1,201)	(762)
Proceeds from collection of long-term loans receivable	972	1,043
Proceeds from sale of investment securities	—	0
Purchase of long-term prepaid expenses	(75)	(75)
Payments of leasehold and guarantee deposits	(357)	(174)
Proceeds from refund of leasehold and guarantee deposits	98	109
Payments for store openings in progress	(1,490)	(2,714)
Payments for making deposits	(421)	(183)
Other	33	(371)
Net cash used in investing activities	(10,424)	(10,808)
Cash flows from financing activities		
Dividends paid	(2,655)	(2,908)
Purchase of treasury shares	(0)	(0)
Net cash used in financing activities	(2,655)	(2,908)
Net increase (decrease) in cash and cash equivalents	(1,506)	2,384
Cash and cash equivalents at beginning of period	40,788	39,282
Cash and cash equivalents at end of period	39,282	41,667

(5) Notes to Consolidated Financial Statements

Going concern assumption

Not applicable

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 June 1, 2021. 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 before June 1, 2021 in which the cumulative effect is added to or subtracted from retained earnings as of June 1, 2021 when a new accounting policy is applied retroactively from June 1, 2021.

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 fiscal year under review. 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 fiscal year ended May 31, 2022, net sales decreased by 3,738 million yen, cost of sales decreased by 438 million yen, selling, general and administrative expenses decreased by 3,350 million yen, while operating profit, ordinary profit, and profit before income taxes each increased by 50 million yen. In addition, the beginning balance of retained earnings increased by 48 million yen.

(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 fiscal year ended 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 consolidated financial statements.

Segment information

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.

Per share information

FY2020 (From June 1, 2020 to May 31, 2021)		FY2021 (From June 1, 2021 to May 31, 2022)	
Net assets per share	¥1,528.64	Net assets per share	¥1,681.84
Earnings per share	¥195.78	Earnings per share	¥199.24

- (Notes)
1. Diluted earnings per share is not stated because there are no diluted shares.
 2. The accounting standard for revenue recognition has been applied as stated under "Changes to accounting policies." As a result, net assets per share increased by 1.32 yen and earnings per share increased by 0.55 yen in the fiscal year under review.
 3. The basis for calculating earnings per share is as follows:

	FY2020 (From June 1, 2020 to May 31, 2021)	FY2021 (From June 1, 2021 to May 31, 2022)
Earnings per share		
Profit attributable to owners of parent (millions of yen)	12,376	12,595
Amount not attributable to ordinary shareholders (millions of yen)	—	—
Profit attributable to owners of parent related to common shares (millions of yen)	12,376	12,595
Average issued shares during period	63,218,641	63,218,593

Significant subsequent events

Not applicable

4. Other

(1) Changes in Officers

To be disclosed when details are concluded.

(2) Other

Purchases and Sales

(i) Sales results by product division

Product division	FY2021 (From June 1, 2021 May 31, 2022)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	94,159	105.3
OTC	57,350	99.9
Prescription drug stores	36,808	115.0
Cosmetics	42,075	102.9
Food products	136,437	104.2
Daily products	54,815	101.8
Other	16,751	99.4
Subtotal	344,239	103.7
Supermarkets	4,270	96.1
Nursing Care		
Paid assisted living facilities	742	102.7
Adult day care services	1,374	98.6
Subtotal	2,116	100.0
Revenue from contracts with customers	350,626	103.6
Other revenue (Notes)	117	—
Total	350,744	103.6

Notes: 1. As stated under Changes to Accounting Policies, the Accounting Standard for Revenue Recognition was applied from June 1, 2021, 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 for the fiscal year ended May 31, 2022 were as follows:

	FY2020 (From June 1, 2020 to May 31, 2021)		FY2021 (From June 1, 2021 to May 31, 2022)	
	Amount (millions of yen)	Share (%)	Amount (millions of yen)	Share (%)
Kanagawa	208,806	61.7	218,549	62.3
Tokyo	49,274	14.6	49,885	14.2
Shizuoka	39,616	11.7	39,460	11.3
Chiba	23,461	6.9	24,847	7.1
Other	17,315	5.1	18,000	5.1
Total	338,476	100.0	350,744	100.0

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

(iii) Purchase results

Purchase results by product division for the fiscal year ended May 31, 2022 were as follows:

Product division	FY2021 (From June 1, 2021 to May 31, 2022)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	55,742	101.5
OTC	33,408	93.3
Prescription drug stores	22,334	116.7
Cosmetics	26,729	101.5
Food products	117,221	106.6
Daily products	39,305	100.8
Other	13,004	100.2
Subtotal	252,003	103.6
Supermarkets	3,239	97.8
Nursing Care		
Paid assisted living facilities	—	—
Adult day care services	—	—
Subtotal	—	—
Purchases for revenue from contracts with customers	255,242	103.5
Other purchases	—	—
Total	255,242	103.5

Notes: As stated under Changes to Accounting Policies, the Accounting Standard for Revenue Recognition was applied from June 1, 2021, which changed the accounting treatment related to revenue recognition. As such, purchase results have also been changed.