



Financial Results for FYE May 2023

July 13, 2023

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.

FYE May 2023 Results

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Sustainability Management

FYE May 2023 Results

1. Consolidated Statement of Income for FYE May 2023

Net sales outperform both plans and those of the previous year, securing increased sales and profits within SG&A expenses plan

	FYE May 2022 Results		FYE May 2023 Results			
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	Vs plan (%)
Net sales	350,744	100.0	380,963	100.0	108.6	101.1
Gross profit	95,578	27.3	102,987	27.0	107.8	99.5
SG&A expenses	77,402	22.1	84,075	22.1	108.6	99.4
Operating profit	18,176	5.2	18,912	5.0	104.1	99.8
Ordinary profit	18,665	5.3	19,428	5.1	104.1	100.2
Profit attributable to owners of parent	12,595	3.6	12,925	3.4	102.6	101.8

Net sales

Successful everyday low price (EDLP) strategy with focus on daily necessities, in addition to increased demand due to the pandemic

Gross profit

Despite a boost from increased prescription sales, goods sales dropped owing to EDLP strategy: **Down 0.3pts YoY**

SG&A expenses

Amid soaring personnel and utilities costs, SG&A expenses overall were within plan with **±0pt difference YoY**

2. Consolidated Balance Sheet for FYE May 2023

May 31, 2022

Total assets
176,910

May 31, 2023

Total assets
194,941

+18,030

Current
assets
98,115

Total
liabilities
70,587

Non-
current
assets
78,795

Total net
assets
106,323

Current
assets
99,631
+1,516

Total
liabilities
78,532
+7,944

Non-
current
assets
95,310
+16,514

Total net
assets
116,409
+10,086

(Millions of yen)

■ Current assets **+1,516**

Decrease in cash and deposits	-4,541
Increase in accounts receivable	+2,154
Increase in merchandise	+2,881

■ Non-current assets **+16,514**

Land	+8,014
Buildings and structures	+4,596

■ Total liabilities **+7,944**

Increase in accounts payable	+6,256
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■ Total net assets **+10,086**

Retained earnings	+9,891
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3. Consolidated Cash Flows for FYE May 2023

■ Consolidated Statements of Cash Flows

	FYE May 2022	FYE May 2023	
	(Millions of yen)	(Millions of yen)	Change
Net cash provided by operating activities	16,101	18,985	2,884
Net cash used in investing activities	(10,808)	(20,491)	−9,683
Net cash used in financing activities	(2,908)	(3,034)	−126
Net increase (decrease) in cash and cash equivalents	2,384	(4,541)	−6,925
Cash and cash equivalents at end of period	41,667	37,126	−4,541

■ Depreciation and amortization

	FYE May 2022	FYE May 2023	
	(Millions of yen)	(Millions of yen)	Change
Capital investment	11,430	21,792	10,362
Depreciation and amortization	3,983	4,351	367

4. Store Openings/Closings (Non-Consolidated)

■ Store openings/closings and renovations

Store closings: **3** drug stores (3 after completion of contract), **1** dedicated prescription drug store (after completion of contract)

No. of store openings in FYE May 2023		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Annual
Store opening	Drug stores	17	2	5	6	2	2	34
	Prescription drug stores	31	8	7	8	4	2	60

• Renovations: **39** stores (foods enhancement: 8 stores, extension/renovation: 1 store, pharmacy expansion: 2 stores; follow-up after prescription drug store openings: 25 stores, etc.)

■ No. of stores at year end

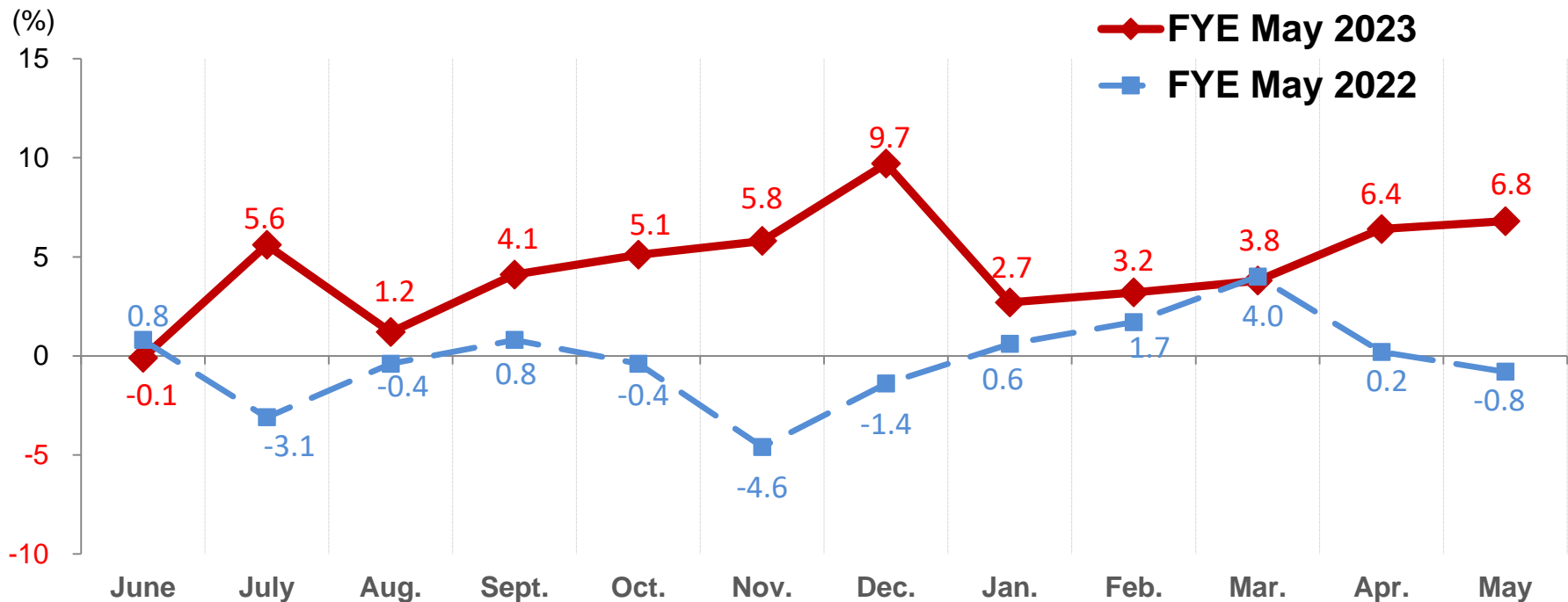
No. of stores as of May 31, 2023		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Annual
Drug stores		404	113	94	55	20	31	717
	<i>In-store pharmacies</i>	203	53	28	28	13	9	334
	<i>Rate of in-store pharmacies</i>	50.2%	46.9%	29.8%	50.9%	65.0%	29.0%	46.6%
Dedicated prescription drug stores		25	7	0	2	1	1	36
Supermarkets		5	0	0	0	0	0	5
Total no. of stores		434	120	94	57	21	32	758

5. Performance Highlights (Non-Consolidated)

■ YoY net sales comparison at existing stores (cumulative):

104.6% (H1: 103.6%, H2:105.5%)

└ OTC: **103.7%** Prescriptions: **111.7%**



Seasonal products strong owing to extreme heat

Increased demand due to seventh wave of COVID-19 infections

Successful EDLP strategy primarily for daily necessities due to rising prices and need for households to save money

Increased demand due to eighth wave of COVID-19 infections

More people going out and greater movement with reclassification of COVID-19 as a Class 5 disease

5. Performance Highlights (Non-Consolidated)

■ Net sales by segment

	FYE May 2022 Results		FYE May 2023 Results		
	Net sales (millions of yen)	Share (%)	Net sales (millions of yen)	Share (%)	YoY change (%)
Medical and health products	94,159	27.4	104,590	27.8	111.1
OTC	57,350	16.7	61,110	16.2	106.6
Prescriptions	36,808	10.7	43,479	11.6	118.1
Cosmetics	42,075	12.2	44,519	11.8	105.8
Food products	136,437	39.6	151,719	40.4	111.2
Daily products	54,815	15.9	57,172	15.2	104.3
Other*	16,869	4.9	18,134	4.8	107.5
Total	344,357	100.0	376,135	100.0	109.2

Medical and health products

- Increased sales of common cold medicines, antigen test kits, etc.
 - Increased demand for prescriptions with promotion of in-store pharmacies
- Prescriptions as a percentage of sales: **Up 11.6% (+0.9pts)**

Cosmetics

- Recovery trend for makeup cosmetics, etc., thanks to increased opportunities for going out

Food products

- Increased sales thanks to **success of EDLP strategy**, primarily for daily necessities

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

5. Performance Highlights (Non-Consolidated)

■ Gross profit margin / SG&A ratio

Gross profit margin: 27.2% Down 0.3 pts YoY **-0.4 pts vs target**

Suppression factors:

- EDLP strategy
- Lower demand due to reactionary drop in facial masks and sterilization-related products

Boosting factors:

- Increase in prescriptions as percentage of sales
- Increased sales of antigen test kits, pharmaceuticals, etc.

SG&A ratio: 22.5% ± 0.0 pt YoY **-0.4 pts vs target**

- **Personnel expense ratio: 12.4%** Down 0.2 pts YoY **-0.2 pts vs target**

Missed target factors:

- Reduced personnel costs through person-hour control on site (existing store person-hours: 98.1% YoY)

- **Other expense ratio: 10.1%** Up 0.1 pts YoY **-0.2 pts vs target**

Missed target factors:

- Thorough energy-saving measures where possible (electricity use at existing stores: 93.9% YoY)

5. Performance Highlights (Non-Consolidated)

■ Prescription drug store department

	FYE May 2022 Results	FYE May 2023 Results	YoY change (%)
Sales at all stores (millions of yen)	36,808	43,479	118.1
No. of prescriptions (thousands)	3,817	4,605	120.6
Prescription unit price (yen)	9,467	9,221	97.4
Sales at existing stores (millions of yen)	36,597	40,885	111.7
No. of prescriptions (thousands)	3,793	4,312	113.7
Prescription unit price (yen)	9,472	9,275	97.9
Home-based dispensing sales (millions of yen)	1,314	1,334	101.5
No. of stores offering home-based dispensing services	157	187	+30
No. of prescriptions (thousands)	88	89	100.1
Gross profit margin at all stores (%)	42.9	42.8	-0.1pts

Prescriptions and sales remained firm

- Promotion of in-store pharmacies
- Increased demand for acute prescriptions, influenza, pollen allergy, etc.

Prescription unit price down to 97.9%

Impact of previous year's medical service fee revisions only in Q4 (April/May) so limited in FYE May 2023

- Gross profit margin 42.8% (down 0.1 pts)

FYE May 2024 Plan

1. New Store Openings and Renovation of Existing Stores

Increased market share in areas with in-store pharmacies brings greater competitiveness for individual stores

■ New store openings

Drug stores: **50 stores** (Previous year: 34 stores)

Prescription drug stores: **60 stores** (Previous year: 60 stores)

- **Greater dominance** in existing store areas

- ▶ Promotion of different types of store openings
- ▶ Focus on development of highly competitive large-scale stores together with land purchases

- **Provision of quick, one-stop shopping**

- ▶ Concessionary type store openings
...Store openings in collaboration with Yuri Store, local supermarkets, fresh produce stores
- ▶ Cooperation with neighboring medical institutions
...Invitations to medical institutions, in-clinic type store openings

■ Existing store renovations

Planned renovations **30 stores**

	No. of stores as of May 31, 2023	No. of stores as of May 31, 2024
Drug stores	717	761
In-store pharmacies	334	394
Rate of in-store pharmacies	46.6%	51.8%
Dedicated prescription drug stores	36	36
Supermarkets	5	6
All stores	758	803



2. Sales Measures (Drug Store Department)

Respond to changes in consumer behavior and growing need for households to save money post-COVID

■ Strengthen sales centered on health and beauty products

- **Respond to increased demand post-COVID** with OTC medicines, makeup cosmetics, seasonal products, etc.

...Increased opportunities to go out, movement of people, and self-medication, etc.

- **Develop new and update private brand products**

(New: **40SKU** Updated: **29SKU**)

...**Secure price advantage**

compared to non-branded products,
strengthen product proposals



■ EDLP strategy

- **Continue to promote EDLP strategy**

...Keep prices unchanged for some products to attract customers amid increases in prices

- **Rigorous low-cost operations**

...As all costs such as labor and utility costs increase, control store operating costs by improving and reviewing work efficiency

2. Sales Measures (Prescription Drug Store Department)

Strengthen community-based family pharmacy functions while seeking greater dominance in prescription drug stores

April 2022: Impact of medical service fee revision

We expect a drop in sales and profits of approximately 1 billion yen/year with reductions to the basic dispensing fee and premiums for local support system from April 2023

■ Response to revision of medical fees

- **Promotion of in-store pharmacies:** Covered by increased demand for prescriptions
...Number of prescriptions at existing stores YoY **114.1%**
- **Calculations of premiums for local support system**
...Target for number of stores calculated **135 stores** (+48 stores YoY)
 - ▶ Training of family pharmacists ...Target **330 pharmacists** (+49 pharmacists YoY)
 - ▶ Expansion of home-based demand ...No. of patients **3,800** (+300 YoY)

■ Use of inventory management system

- **Reduce waste loss and prevent shortages** of prescription drugs by utilizing inventory between stores

Prescription drug store department	FYE May 2023 Results	FYE May 2024 Plan	YoY change (%)
Sales at all stores (millions of yen)	43,479	50,336	115.8
No. of prescriptions (thousands)	4,605	5,529	120.1
Prescription unit price (yen)	9,221	8,966	97.2
Sales at existing stores (millions of yen)	43,372	47,721	110.0
No. of prescriptions (thousands)	4,592	5,241	114.1
Prescription unit price (yen)	9,227	8,986	97.4
Gross profit margin at all stores	42.8%	41.6%	-1.2 pts

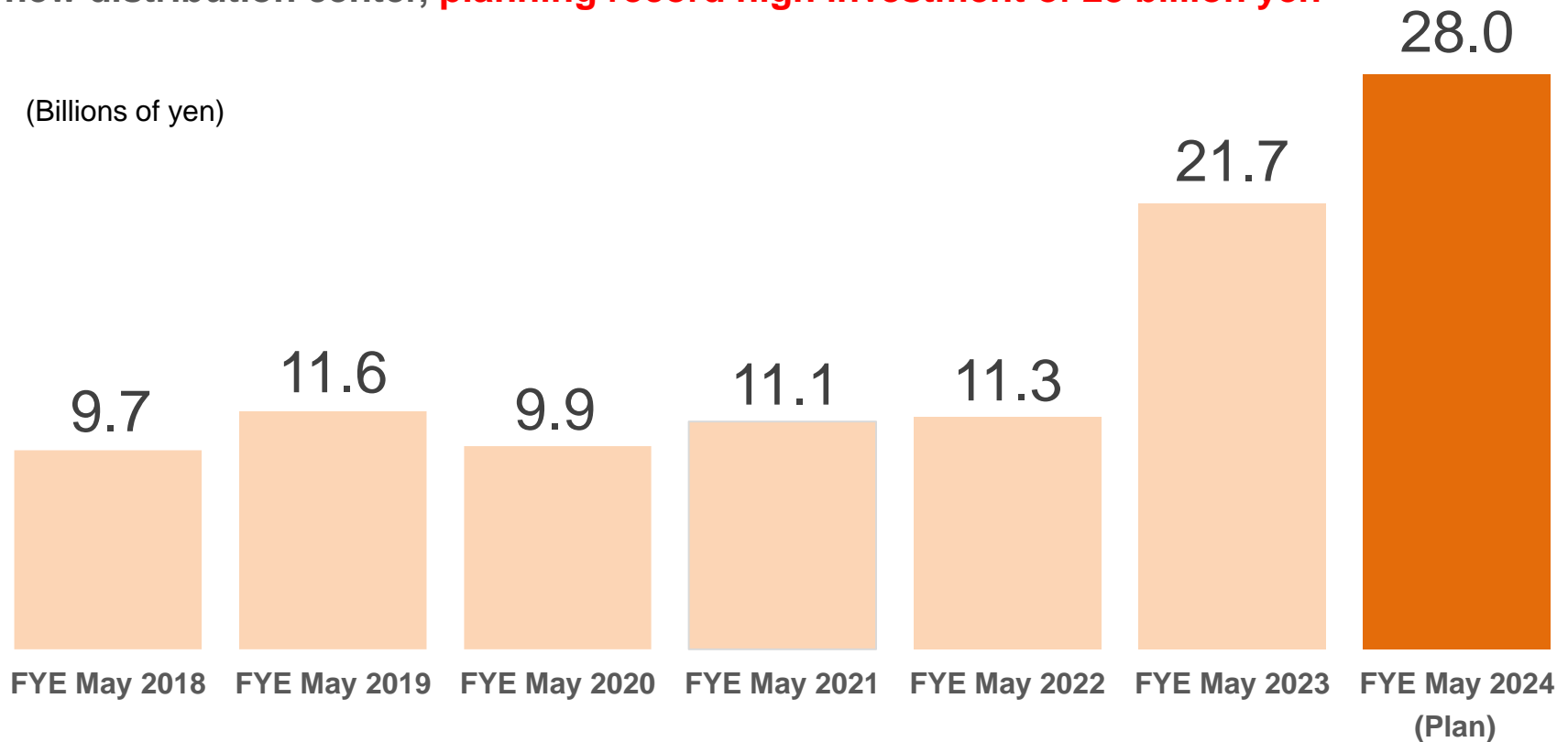
3. Capital Investment and Dividends

■ Trend in capital investment

Plans to continue aggressive capital investment

... New stores and renovations, land purchases, distribution centers, system investments, etc.

⇒ In FYE May 2024, in addition to opening 50 stores, increasing the number of large-scale stores, acquiring land and buildings, we expect a deposit of 2.7 billion yen for the construction of a new distribution center, **planning record high investment of 28 billion yen**



3. Capital Investment and Dividends

■ Dividends per share

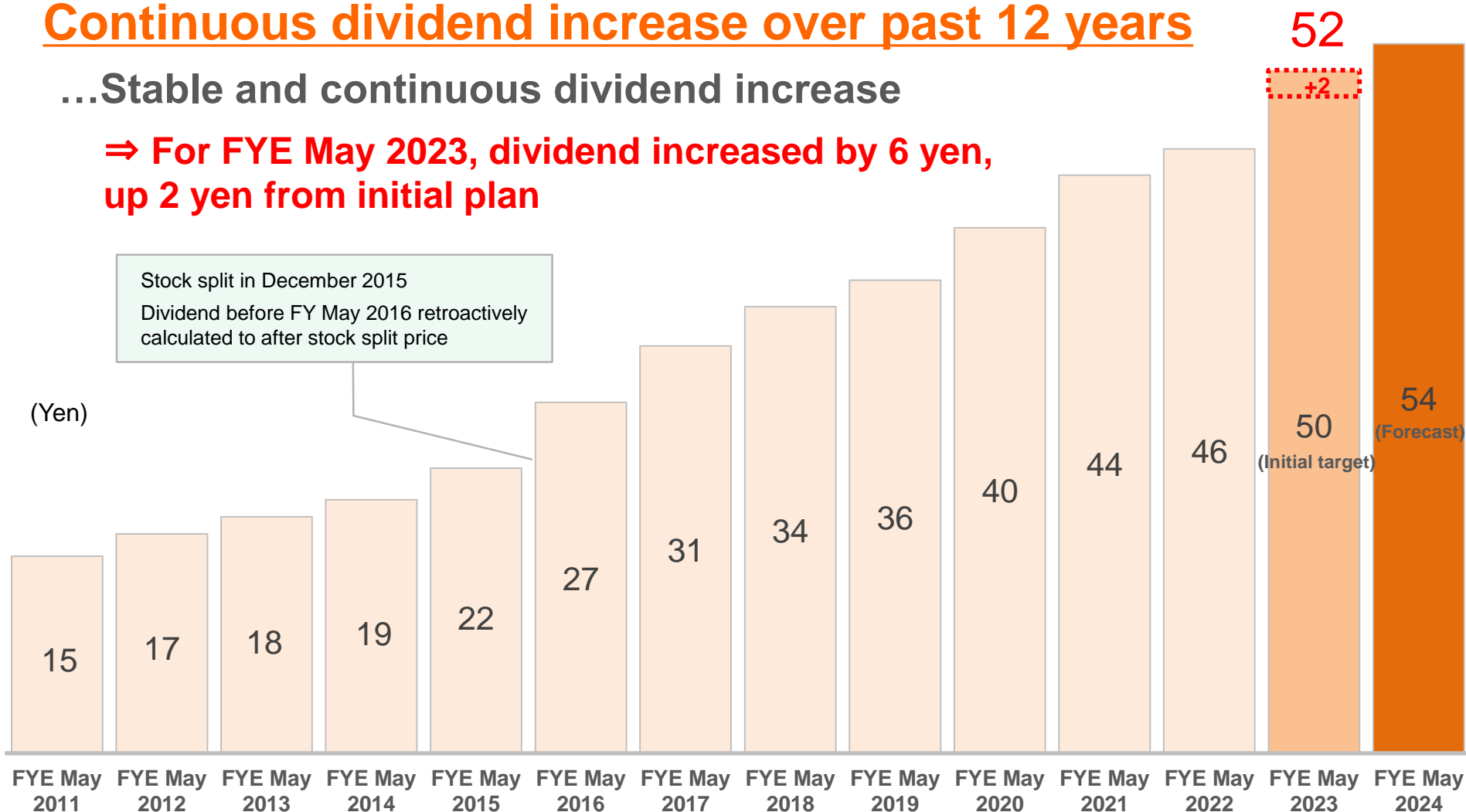
Continuous dividend increase over past 12 years

...Stable and continuous dividend increase

⇒ For FYE May 2023, dividend increased by 6 yen,
up 2 yen from initial plan

Stock split in December 2015
Dividend before FY May 2016 retroactively
calculated to after stock split price

(Yen)



4. FYE May 2024 Full Year Plan (Consolidated)

Full-year	FYE May 2023 Results		FYE May 2024 Plan			
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	Difference (Millions of yen)
Net sales	380,963	100.0	404,100	100.0	106.1	+23,137
Gross profit	102,987	27.0	109,640	27.1	106.5	+6,653
SG&A expenses	84,075	22.1	90,400	22.4	107.5	+6,325
Operating profit	18,912	5.0	19,240	4.8	101.7	+327
Ordinary profit	19,428	5.1	19,800	4.9	101.9	+371
Profit attributable to owners of parent	12,925	3.4	13,000	3.2	100.6	+74

Plan Assumptions:

Store openings: 50 drug stores 60 prescription drug stores (59 in-store, 1 dedicated)

Store closings: 6 drug stores

Existing stores YoY change: 100.7% (drug stores 99.5%, prescription drug stores 110.0%)

5. Progress on Medium-term Management Plan

	FYE May 2023 Results	FYE May 2024 Plan	
	(Millions of yen)	(Millions of yen)	YoY change (%)
Net sales	380,963	404,100	106.1
Ordinary profit margin	5.1%	4.9%	-0.2pts
No. of stores	758	803	+45
In-store pharmacy rate	46.6%	51.8%	+5.2

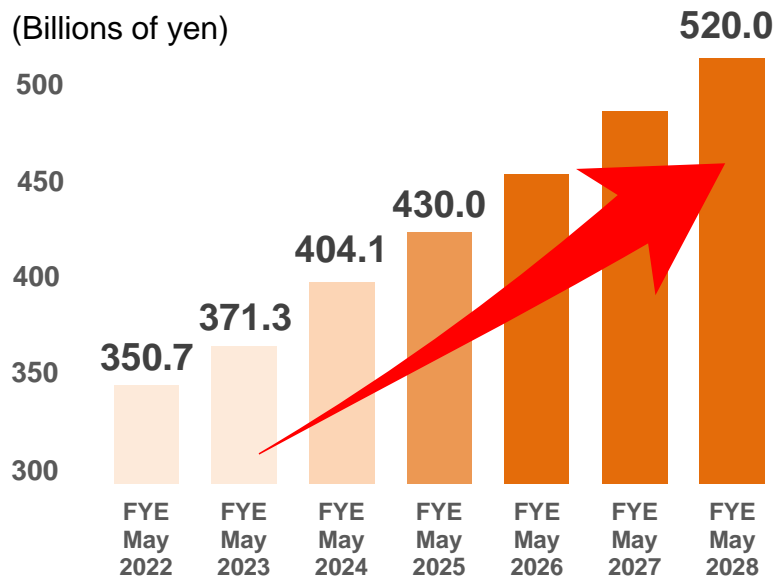
Medium-term Management Plan	FYE May 2025 Initial Plan	FYE May 2025 Revised Plan
	(Millions of yen)	(Millions of yen)
Net sales	420,000	430,000
Ordinary profit margin	5.0%	5.0%
No. of stores	850	850
In-store pharmacy rate	55.0%	55.0%

Net sales: Steady progress toward achieving plan, **upward revision to 430 billion yen for FYE May 2025**

Ordinary profit margin: In FYE May 2024, although the gross profit margin is expected to improve due to an increase in prescriptions as percentage of sales, there will be a greater increase in the SG&A expense ratio so expected to fall slightly below the medium-term target of 5.0%

5. Progress on Medium-term Management Plan

(Billions of yen)



Medium-term Management Plan	FYE May 2025 Revised Plan	FYE May 2028 Revised Plan
	(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%

Basic management strategy

Dominant community-based store openings

Promotion of in-store pharmacies

Convenience of quick, one-stop shopping

Management foundation supporting sustainable growth



Extremely good customer service

Sustainability management

Low-cost operations

Sustainability Management

■ Excerpts from material issues

Material Issues	Group Direction	Example Initiatives
<p>Business activities with the global environment in mind (Environmental)</p> 	<ul style="list-style-type: none"> ▪ Reduction of greenhouse gas emissions ▪ Improved resource and energy efficiency ▪ Waste reduction from 3Rs perspective 	<ul style="list-style-type: none"> ▪ Acquisition and maintenance of ISO 14001 certification at all stores ▪ Improved energy efficiency, including air conditioning and lighting ▪ Reduced CO₂ emissions by improving efficiency in distribution ⇒ Plan to build a new distribution center in FYE May 2025 ▪ Less food waste by improving order accuracy, etc. ▪ Installation of solar panels on rooftops of distribution centers and stores ⇒ 4 stores with solar panels at the end of FYE May 2023 with plans to gradually expand this number
<p>Realization of a rewarding company that values its employees (Social)</p> 	<ul style="list-style-type: none"> ▪ Comfortable and rewarding work environment ▪ Diversity and inclusion ▪ Development of human resources and active participation 	<ul style="list-style-type: none"> ▪ Creation of comfortable work environment for women ▪ Regular individual interviews from a work-life balance perspective ▪ Childcare leave system and shortened work hours system above statutory requirements ▪ Job creation at special subsidiary ⇒ By Aug. 2023, in annual securities report and Company website, we will: <ul style="list-style-type: none"> ▪ Disclose various information related to human capital ▪ Set indicators and targets for all items