



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 Six Months Ended November 30, 2023 (Japanese GAAP)

January 9, 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 filing date of Securities Report:
January 12, 2024

Scheduled date of start of dividend payment:
February 5, 2024

Supplementary materials for the financial results: Yes

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

(Figures are rounded down to the nearest million yen)

1. Consolidated Second Quarter Results for Fiscal Year Ending May 31, 2024 (June 1, 2023 to November 30, 2023)

(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	%
Six months ended November 30, 2023	207,451	10.7	9,852	6.7	10,191	7.8	6,875	7.2
Six months ended November 30, 2022	187,392	7.8	9,235	4.4	9,451	4.0	6,412	4.0

(Note) Comprehensive income: Six months ended November 30, 2023: ¥6,876 million (6.9%)

Six months ended November 30, 2022: ¥6,432 million (4.2%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended November 30, 2023	108.76	102.90
Six months ended November 30, 2022	101.43	—

(2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2023	203,023	121,607	59.9
As of May 31, 2023	194,941	116,409	59.7

(Reference) Net assets: As of November 30, 2023: ¥121,578 million

As of May 31, 2023: ¥116,409 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, 2023	—	25.00	—	27.00	52.00
Fiscal year ending May 31, 2024	—	27.00			
Fiscal year ending May 31, 2024 (forecast)			—	27.00	54.00

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

3. Consolidated Financial Forecast (From June 1, 2023 to May 31, 2024)

Summary of consolidated financial forecast

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
Full-year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	404,100	6.1	19,240	1.7	19,800	1.9	13,000	0.6	205.64

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

Notes

(1) Significant changes of subsidiaries in six months ended November 30, 2023 (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) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: Yes

(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

(4) Issued shares (common shares)

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

Six months ended November 30, 2023	66,819,342 shares	Fiscal year ended May 31, 2023	66,819,342 shares
Six months ended November 30, 2023	3,600,857 shares	Fiscal year ended May 31, 2023	3,600,857 shares
Six months ended November 30, 2023	63,218,485 shares	Six months ended November 30, 2022	63,218,553 shares

(ii) Treasury shares at period-end:

(iii) Average issued shares during period:

Note on issued shares

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

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	4
(3) Overview of Consolidated Financial Results Forecast and Future Expectations	4
2. Consolidated Financial Statements and Notes	5
(1) Consolidated Balance Sheet	5
(2) Consolidated Statements of Income and Comprehensive Income	7
Consolidated Statement of Income	7
First six months of the fiscal year ending May 31, 2024.....	7
Consolidated Statement of Comprehensive Income.....	8
First six months of the fiscal year ending May 31, 2024.....	8
(3) Consolidated Statements of Cash Flows	9
(4) Notes to Consolidated Financial Statements	10
Going concern assumption	10
Notes in case of significant changes in shareholders' equity	10
Application of specific accounting treatment in the preparation of consolidated financial statements	10
Changes to accounting policies.....	10
Changes in accounting estimates.....	10
3. Supplemental Information.....	11
(1) Production, Orders Received, and Sales.....	11

1. Qualitative Information Related to Consolidated Financial Results

(1) Overview of Operating Results

During the first six months of fiscal year ending May 31, 2024, Japan's economy proceeded to recover in line with the reclassification of COVID-19 as a Class 5 disease, but the outlook still remains uncertain due to raw material and energy prices remaining high and a fall in consumer sentiment caused by the rise in the cost of living.

In the drug store industry, while there were signs of an increase in demand for cosmetics thanks to the easing of restrictions on movements and an increase in demand for medical and health products with the spread of colds and the flu, there is less demand for products to contain the spread of the coronavirus and a growing need for households to save money owing to the rising cost of living. In addition, there are impacts from lower prescription unit prices as a result of the revisions to medical fees and drug prices, new store openings by competitors from other industries, and intensification of price competition. Due to these factors, business conditions for the Group remain harsh.

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

Amid the further rise in the cost of living for consumers and the growing need for households to save money due to raw material and energy prices remaining high, the Group has continued to promote its everyday low price (EDLP) strategy, offering products at affordable prices at all times to serve as a lifeline supporting 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.

Sales and the number of customers at existing stores remained steady during the first six months of fiscal year ending May 31, 2024. This was a result of an increase in demand for common cold medicines and cosmetics products and the continued success of EDLP measures, including for daily necessities, despite the drop in demand for products to contain the spread of the coronavirus. In the prescriptions division, the number of prescriptions filled remained steady as a result of efforts to promote in-store prescription drug stores and enhance interpersonal work, despite the impact of regulatory revisions to medical fees and drug prices. As a result, both net sales and profit were up, exceeding projections and those of the previous year.

During the period, we opened 16 new drug stores. On the other hand, we closed three stores, two due to expiration of contracts and one from the standpoint of improving management efficiency. New prescription drug store openings included 18 new in-store prescription drug stores and one dedicated prescription drug store in a medical mall.

Supermarkets

We worked on such aspects as the delivery and sale of delicatessen dishes and fresh meats prepared in Yuri Store drug store/supermarkets to drug stores in the Group and continued our efforts to improve convenience in small trade areas to generate synergies with the drug store business. The number of stores as of November 30, 2023 remained unchanged from the end of the previous fiscal year at five stores. This includes two food supermarkets (one of which is temporarily closed for renovation) and three combination drug store/fresh produce 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 the Group's drug stores reached 730 as of November 30, 2023, and the total number of prescription drug stores reached 389, including 37 dedicated prescription drug stores and 352 in-store prescription drug stores. The Group also has two supermarkets and three combination drug store/fresh produce stores in the supermarket business as well as two paid assisted living facilities and 37 half-day adult care centers in the nursing care business.

As a result of the above, the financial results for the first six months of the fiscal year ending May 31, 2024 were as follows: Net

sales came in at 207,451 million yen (up 10.7% year on year), operating profit was 9,852 million yen (up 6.7%), ordinary profit was 10,191 million yen (up 7.8%), and profit attributable to owners of parent was 6,875 million yen (up 7.2%).

(2) Overview of Financial Position

Total assets as of November 30, 2023 were 203,023 million yen, up 8,081 million yen from the end of the previous fiscal year. The main factors were a 632 million yen increase in accounts receivable - trade, a 1,534 million yen increase in merchandise, and a 9,566 million yen increase in non-current assets as well as a 3,487 million yen decrease in cash and deposits.

Total liabilities as of November 30, 2023 were 81,415 million yen, up 2,883 million yen from the end of the previous fiscal year. The main factors were a 1,461 million yen increase in accounts payable - trade, a 152 million yen increase in accrued income taxes, a 350 million yen increase in accounts payable - other included in "Other" under current liabilities, and a 369 million yen increase in accrued expenses.

Net assets as of November 30, 2023 were 121,607 million yen, up 5,198 million yen from the end of the previous fiscal year. The main factor was recording 1,706 million yen in dividends paid and 6,875 million yen in profit attributable to owners of parent.

Cash Flows

Cash and cash equivalents as of November 30, 2023 were 33,638 million yen, down 3,487 million yen from the end of the previous fiscal year.

Cash flows as of November 30, 2023 were as follows:

Cash flows from operating activities

Net cash provided by operating activities amounted to 9,843 million yen, up 1,595 million yen year on year. The main factors were profit before income taxes of 10,163 million yen, depreciation of 2,272 million yen, income tax refunds of 832 million yen, an increase in inventories of 1,563 million yen, an increase in trade payables of 1,461 million yen, and income taxes paid of 4,257 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 11,646 million yen, down 366 million yen year on year. This was mainly due to 6,416 million yen for the purchase of property, plant and equipment associated with the store openings and 5,442 million yen for store openings in progress.

Cash flows from financing activities

Net cash used in financing activities amounted to 1,684 million yen, up 229 million yen year on year. This is the result of dividends paid of 1,706 million yen.

(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, 2024 announced on July 10, 2023.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2022 (As of May 31, 2023)	2Q of FY2023 (As of November 30, 2023)
Assets		
Current assets		
Cash and deposits	37,526	34,038
Accounts receivable - trade	13,312	13,945
Merchandise	38,497	40,031
Other	10,295	10,133
Total current assets	99,631	98,148
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	27,762	31,487
Land	25,211	25,464
Other, net	4,858	8,036
Total property, plant and equipment	57,832	64,988
Intangible fixed assets		
Goodwill	473	413
Other	1,055	886
Total intangible assets	1,529	1,299
Investments and other assets		
Long-term loans receivable	9,654	9,902
Leasehold and guarantee deposits	11,576	11,680
Other	14,759	17,042
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	35,948	38,585
Total non-current assets	95,310	104,874
Total assets	194,941	203,023
Liabilities		
Current liabilities		
Accounts payable - trade	50,485	51,947
Accrued income taxes	3,386	3,539
Accrued bonuses	378	341
Provision for bonuses for directors (and other officers)	145	78
Provision for point card certificates	171	160
Asset retirement obligations	89	76
Provision for loss on store closings	8	—
Other	15,487	16,521
Total current liabilities	70,152	72,666
Non-current liabilities		
Net defined benefit liability	3,310	3,464
Asset retirement obligations	3,579	3,758
Provision for loss on subleasing	30	27
Other	1,459	1,498
Total non-current liabilities	8,379	8,749
Total liabilities	78,532	81,415

(Millions of yen)

	FY2022 (As of May 31, 2023)	2Q of FY2023 (As of November 30, 2023)
Net assets		
Equity capital		
Share capital	1,000	1,000
Capital surplus	934	934
Retained earnings	118,741	123,910
Treasury shares	(4,393)	(4,393)
Total shareholders' equity	116,282	121,451
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39	43
Remeasurements of defined benefit plans	87	83
Total accumulated other comprehensive income	126	127
Share options	—	29
Total net assets	¥116,409	121,607
Liabilities and net assets	194,941	203,023

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

First six months of the fiscal year ending May 31, 2024

(Millions of yen)

	1H of FY2022 (From June 1, 2022 to November 30, 2022)	1H of FY2023 (From June 1, 2023 to November 30, 2023)
Net sales	187,392	207,451
Cost of sales	136,402	153,485
Gross profit	50,989	53,965
Selling, general and administrative expenses		
Provision for point card certificates	173	160
Salaries and allowances	17,009	17,893
Provision for bonuses	289	309
Provision for directors' bonuses	68	74
Retirement benefit expenses	406	384
Depreciation and amortization	1,962	2,198
Land/office rent	8,243	8,567
Other	13,601	14,525
Total selling, general and administrative expenses	41,754	44,113
Operating profit	9,235	9,852
Non-operating profit		
Interest income	44	42
Dividend income	0	0
Gain on receipt of donated non-current assets	18	12
Rent income	161	175
Subsidy income	27	117
Other	76	91
Total non-operating income	329	439
Non-operating expenses		
Compensation expenses	0	4
Rental expenses	83	81
Other	29	14
Total non-operating expenses	112	100
Ordinary profit	9,451	10,191
Extraordinary losses		
Loss on sale of non-current assets	—	26
Loss on retirement of non-current assets	7	1
Loss on store closings	3	—
Total extraordinary losses	10	28
Profit before income taxes	9,440	10,163
Income taxes	3,028	3,287
Profit	6,412	6,875
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	6,412	6,875

Consolidated Statement of Comprehensive Income

First six months of the fiscal year ending May 31, 2024

(Millions of yen)

	1H of FY2022 (From June 1, 2022 to November 30, 2022)	1H of FY2023 (From June 1, 2023 to November 30, 2023)
Profit	6,412	6,875
Other comprehensive income		
Valuation difference on available-for-sale securities	5	4
Remeasurements of defined benefit plans, net of tax	14	(4)
Total other comprehensive income	20	0
Comprehensive income	6,432	6,876
Comprehensive income attributable to:		
Owners of parent	6,432	6,876
Non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1H of FY2022 (From June 1, 2022 to November 30, 2022)	1H of FY2023 (From June 1, 2023 to November 30, 2023)
Cash flows from operating activities		
Profit before income taxes	9,440	10,163
Depreciation and amortization	2,028	2,272
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	(40)	(36)
Increase (decrease) in provision for bonuses for directors (and other officers)	(72)	(66)
Increase (decrease) in provision for point card certificates	8	(10)
Increase (decrease) in provision for loss on subleasing	(3)	(3)
Increase (decrease) in retirement benefit liability	209	148
Interest and dividend income	(45)	(43)
Decrease (increase) in trade receivables	(1,321)	(632)
Decrease (increase) in inventories	(1,644)	(1,563)
Increase (decrease) in trade payables	1,864	1,461
Increase (decrease) in advances received	85	182
Other	904	1,394
Subtotal	11,412	13,266
Interest and dividends received	1	1
Income taxes paid	(3,965)	(4,257)
Income taxes refund	799	832
Net cash provided by operating activities	8,248	9,843
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,298)	(6,416)
Purchase of intangible assets	(118)	(13)
Payments into time deposits	(400)	(400)
Proceeds from withdrawal of time deposits	400	400
Long-term loan advances	(158)	(222)
Proceeds from collection of long-term loans receivable	497	516
Payments of leasehold and guarantee deposits	(21)	(9)
Proceeds from refund of leasehold and guarantee deposits	74	71
Purchase of long-term prepaid expenses	(27)	(59)
Payments for store openings in progress	(2,934)	(5,442)
Payments into deposit money	(29)	(109)
Other	1	38
Cash flows from investing activities	(12,013)	(11,646)
Net cash used in financing activities		
Purchase of treasury shares	(0)	—
Dividends paid	(1,454)	(1,706)
Other	—	22
Net cash used in financing activities	(1,454)	(1,684)
Net increase (decrease) in cash and cash equivalents	(5,219)	(3,487)
Cash and cash equivalents at beginning of period	41,667	37,126
Cash and cash equivalents at end of period	36,447	33,638

(4) 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

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, 2024, including the first six 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

Not applicable

Changes in accounting estimates

Not applicable

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 six months of the fiscal year ending May 31, 2024 were as follows:

Product division	1H of FY2023 (From June 1, 2023 to November 30, 2023)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	54,654	107.1
OTC	30,497	99.7
Prescription drug stores	24,157	118.1
Cosmetics	24,038	107.9
Food products	86,056	117.0
Daily products	30,965	107.1
Other	9,571	108.6
Subtotal	205,286	111.2
Supermarkets	1,012	60.2
Nursing Care		
Paid assisted living facilities	342	95.9
Adult day care services	727	105.5
Subtotal	1,069	102.2
Revenue from contracts with customers	207,368	110.7
Other revenue (Notes)	83	141.5
Total	207,451	110.7

(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 six months of the fiscal year ending May 31, 2024 were as follows:

	1H of FY2022 (From June 1, 2022 to November 30, 2022)		1H of FY2023 (From June 1, 2023 to November 30, 2023)	
	Amount (millions of yen)	Share (%)	Amount (millions of yen)	Share (%)
Kanagawa	116,461	62.1	127,074	61.3
Tokyo	27,258	14.5	29,596	14.3
Shizuoka	20,529	11.0	22,880	11.0
Chiba	13,574	7.2	17,340	8.4
Other	9,569	5.1	10,558	5.1
Total	187,392	100.0	207,451	100.0

2) Purchase results

Purchase results by product division during the first six months of the fiscal year ending May 31, 2024 were as follows:

Product division	1H of FY2023 (From June 1, 2023 to November 30, 2023)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	32,468	108.6
OTC	17,574	98.0
Prescription drug stores	14,893	124.6
Cosmetics	15,140	104.7
Food products	75,470	118.4
Daily products	22,459	109.4
Other	7,712	108.2
Subtotal	153,252	112.9
Supermarkets	758	59.7
Nursing Care		
Paid assisted living facilities	—	—
Adult day care services	—	—
Subtotal	—	—
Purchases for revenue from contracts with customers	154,011	112.4
Other revenue	—	—
Total	154,011	112.4