



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

## Consolidated Financial Results for Three Months Ended August 31, 2022 (Japanese GAAP)

October 3, 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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Accounting Dept.

Scheduled filing date of Securities Report: October 7, 2022

Scheduled date of start of dividend payment: —

Supplementary materials for the financial results: None

Quarterly results briefing sessions: None

(Figures are rounded down to the nearest million yen)

### 1. Consolidated First Quarter Results for Fiscal Year Ending May 31, 2023 (June 1, 2022 to August 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	%
Three months ended August 31, 2022	94,530	6.2	4,732	0.2	4,872	0.8	3,297	0.9
Three months ended August 31, 2021	89,032	3.5	4,722	-13.2	4,836	-12.9	3,266	-13.2

(Note) Comprehensive income: Three months ended August 31, 2022: ¥3,308 million (1.1%)  
Three months ended August 31, 2021: ¥3,272 million (-13.4%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended August 31, 2022	52.16	—
Three months ended August 31, 2021	51.68	—

#### (2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of August 31, 2022	180,625	108,177	59.9
As of May 31, 2022	176,910	106,323	60.1

(Reference) Net assets: As of August 31, 2022: ¥108,177 million  
As of May 31, 2022: ¥106,323 million

## 2. Dividend Payments

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
Fiscal year ended May 31, 2022	Yen —	Yen 23.00	Yen —	Yen 23.00	Yen 46.00
Fiscal year ending May 31, 2023	—				
Fiscal year ending May 31, 2023 (forecast)		25.00	—	25.00	50.00

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

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending November 30, 2022	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

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

## Notes

- (1) Significant changes of subsidiaries in three months ended August 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))

## Notes on significant changes of subsidiaries during period

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

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

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

- (i) Changes in accounting policies due to amendments to accounting standards: None  
 (ii) Other changes in accounting policies: None  
 (iii) Changes in accounting estimates: None  
 (iv) Restatements: None

## Notes on changes in accounting policies

- (4) Issued shares (common shares)

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

- (ii) Treasury shares at period-end:

- (iii) Average issued shares during period:

Three months ended August 31, 2022	66,819,342 shares	Fiscal year ended May 31, 2022	66,819,342 shares
Three months ended August 31, 2022	3,600,793 shares	Fiscal year ended May 31, 2022	3,600,755 shares
Three months ended August 31, 2022	63,218,567 shares	Three months ended August 31, 2021	63,218,613 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 three months of the fiscal year ending May 31, 2023, despite the trend toward normalization of economic activity, the future of the Japanese economy remained uncertain due to heightened geopolitical risks, soaring raw material prices, and fluctuations in the financial and capital markets 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, we worked on expanding our lineup of fresh and frozen foods to respond to demand for one-stop shopping for daily life necessities while promoting everyday low prices (EDLP) so that customers can buy products at attractive prices no matter when they come to our stores. In addition, we continued to focus on improving convenience and expertise in small trade areas by promoting in-store prescription drug stores.

During the first three months of the fiscal year ending May 31, 2023, there was an increase in demand for antiviral products, antigen test kits, common cold medicines, and other such products associated with the seventh wave of COVID-19 and an increase in demand for seasonal products associated with a record-breaking heat wave. In regard to expenses, although utility costs soared due to rising crude oil prices, and personnel expenses increased as we promoted in-store prescription drug stores, both net sales and profit were higher than the previous year owing to efforts to control costs such as thorough company-wide electricity saving measures and optimization of man-hours at work sites.

During the period, we opened five new drug stores. Moreover, we opened 12 new in-store prescription drug stores and closed one dedicated prescription drug store for which the contract expired.

#### **Supermarkets**

We operate Yuri Store supermarkets in Asao Ward and Tama Ward, Kawasaki City, Kanagawa. As in the previous fiscal year, we are gradually renovating and converting existing supermarkets into combination drug store/fresh produce stores in order to enhance the competitiveness of individual stores and create synergy with our drug store business. Yuri Store offers fresh produce and side dishes while Create SD provides other foods, daily products, cosmetics, and medical and health products, and operates drug stores. As of the end of the first three months of the fiscal year ending May 31, 2023, we have three supermarkets and two drug store/fresh produce stores.

#### **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 adult day care centers characterized by strength and functional maintenance and recovery training for those who want to live at home as long as possible. 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. During the first three months of the fiscal year ending May 31, 2023, we closed two adult day care facilities in order to improve management efficiency.

Owing to the efforts above, as of the end of the first three months of the fiscal year ending May 31, 2023, the number of the Group's drug stores came to 691, the number of dedicated prescription drug stores to 35, and the number of in-store prescription drug stores to 287, for a total of 322 stores. The Group also has three stores in the supermarket business, two fresh produce stores, two paid assisted living facilities, and 37 adult day care centers in the nursing care business.

As a result of the above, the financial results for the first three months of the fiscal year ending May 31, 2023 were as follows: Net sales came in at 94,530 million yen (up 6.2% year on year), operating profit was 4,732 million yen (up 0.2%), ordinary profit was 4,872 million yen (up 0.8%), and profit attributable to owners of parent was 3,297 million yen (up 0.9%).

## (2) Overview of Financial Position

Total assets as of August 31, 2022 were 180,625 million yen, up 3,714 million yen from the end of the previous fiscal year. The main factors were a 1,599 million yen increase in accounts receivable and a 5,015 million yen increase in land as well as a 3,318 million yen decrease in cash and deposits.

Total liabilities as of August 31, 2022 were 72,447 million yen, up 1,860 million yen from the end of the previous fiscal year. The main factors were a 2,535 million yen increase in accounts payable and a 1,328 million yen decrease in accrued income taxes.

Net assets as of August 31, 2022 were 108,177 million yen, up 1,854 million yen from the end of the previous fiscal year. The main factors were a 1,454 million yen decrease in dividends paid and recording of 3,297 million yen in profit attributable to owners of parent.

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

At this time, no changes have been made to the forecasts for the fiscal year ending May 31, 2023 announced on July 11, 2022.

## 2. Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheet

(Millions of yen)

	FY2021 (As of May 31, 2022)	1Q of FY2022 (As of August 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	42,067	38,748
Accounts receivable - trade	11,158	12,758
Merchandise	35,615	35,250
Other	9,274	8,831
Total current assets	98,115	95,589
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,166	23,140
Land	17,196	22,212
Other, net	4,407	4,285
Total property, plant and equipment	44,770	49,638
Intangible fixed assets		
Goodwill	593	563
Other	918	920
Total intangible assets	1,511	1,483
Investments and other assets		
Long-term loans receivable	9,868	9,752
Leasehold and guarantee deposits	11,251	11,293
Other	11,436	12,910
Allowance for doubtful accounts	(43)	(42)
Total investments and other assets	32,513	33,913
Total non-current assets	78,795	85,036
Total assets	176,910	180,625
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	44,228	46,764
Accrued income taxes	3,070	1,741
Accrued bonuses	357	1,790
Provision for bonuses for directors (and other officers)	145	36
Provision for point card certificates	164	164
Asset retirement obligations	4	4
Other	14,628	13,872
Total current liabilities	62,598	64,373
Non-current liabilities		
Net defined benefit liability	3,150	3,229
Asset retirement obligations	3,417	3,446
Provision for loss on subleasing	37	35
Other	1,383	1,361
Total non-current liabilities	7,988	8,074
Total liabilities	70,587	72,447

(Millions of yen)

	FY2021 (As of May 31, 2022)	1Q of FY2022 (As of August 31, 2022)
Net assets		
Equity capital		
Share capital	1,000	1,000
Capital surplus	934	934
Retained earnings	108,850	110,693
Treasury shares	(4,393)	(4,393)
Total shareholders' equity	106,391	108,234
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	23	27
Remeasurements of defined benefit plans	(91)	(84)
Total accumulated other comprehensive income	(68)	(56)
Total net assets	106,323	108,177
Liabilities and net assets	176,910	180,625



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

### Consolidated Statement of Income

First three months of the fiscal year ending May 31, 2023

(Millions of yen)

	1Q of FY2021 (From June 1, 2021 to August 31, 2021)	1Q of FY2022 (From June 1, 2022 to August 31, 2022)
Net sales	89,032	94,530
Cost of sales	65,388	69,160
Gross profit	23,643	25,370
Selling, general and administrative expenses		
Provision for point card certificates	136	164
Salaries and allowances	7,965	8,492
Provision for bonuses	1,312	1,411
Provision for directors' bonuses	27	32
Retirement benefit expenses	111	202
Depreciation and amortization	897	912
Land/office rent	3,923	4,117
Other	4,546	5,306
Total selling, general and administrative expenses	18,920	20,638
Operating profit	4,722	4,732
Non-operating profit		
Interest income	23	22
Dividend income	0	0
Rent income	74	98
Other	58	62
Total non-operating income	156	183
Non-operating expenses		
Rental expenses	42	41
Other	0	1
Total non-operating expenses	43	42
Ordinary profit	4,836	4,872
Extraordinary losses		
Loss on retirement of non-current assets	3	2
Total extraordinary losses	3	2
Profit before income taxes	4,832	4,870
Income taxes	1,565	1,573
Profit	3,266	3,297
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	3,266	3,297

Consolidated Statement of Comprehensive Income

First three months of the fiscal year ending May 31, 2023

(Millions of yen)

	1Q of FY2021 (From June 1, 2021 to August 31, 2021)	1Q of FY2022 (From June 1, 2022 to August 31, 2022)
Profit	3,266	3,297
Other comprehensive income		
Valuation difference on available-for-sale securities	3	3
Remeasurements of defined benefit plans, net of tax	2	7
Total other comprehensive income	5	11
Comprehensive income	3,272	3,308
Comprehensive income attributable to:		
Owners of parent	3,272	3,308
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, 2023, including the first three months, after applying tax effect accounting and perform the calculation by multiplying profit before income taxes by the estimated effective tax rate.

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

Not applicable

#### **Changes in accounting estimates**

Not applicable

#### **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 three months of the fiscal year ending May 31, 2023 were as follows:

Product division	1Q of FY2022 (From June 1, 2022 to August 31, 2022)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	26,002	111.9
OTC	15,984	109.1
Prescription drug stores	10,018	116.6
Cosmetics	11,402	105.6
Food products	36,507	105.8
Daily products	14,803	101.4
Other	4,365	103.4
Subtotal	93,081	106.5
Supermarkets	894	79.1
Nursing Care		
Paid assisted living facilities	182	94.5
Adult day care services	341	102.9
Subtotal	523	100.0
Revenue from contracts with customers	94,498	106.1
Other revenue (Notes)	31	—
Total	94,530	106.2

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

(ii) Sales results by region

Sales results by region during the first three months of the fiscal year ending May 31, 2023 were as follows:

	1Q of FY2021 (From June 1, 2021 to August 31, 2021)		1Q of FY2022 (From June 1, 2022 to August 31, 2022)	
	Amount (millions of yen)	Share (%)	Amount (millions of yen)	Share (%)
Kanagawa	55,251	62.1	58,668	62.1
Tokyo	12,756	14.3	13,801	14.6
Shizuoka	10,169	11.4	10,407	11.0
Chiba	6,314	7.1	6,800	7.2
Other	4,540	5.1	4,852	5.1
Total	89,032	100.0	94,530	100.0

(2) Purchase results

Purchase results by product division during the first three months of the fiscal year ending May 31, 2023 were as follows:

Product division	1Q of FY2022 (From June 1, 2022 to August 31, 2022)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	15,484	110.5
OTC	9,481	109.7
Prescription drug stores	6,003	111.8
Cosmetics	6,951	101.1
Food products	31,476	106.0
Daily products	10,274	100.6
Other	3,407	103.9
Subtotal	67,595	105.5
Supermarkets	679	78.4
Nursing Care		
Paid assisted living facilities	—	—
Adult day care services	—	—
Subtotal	—	—
Purchases for revenue from contracts with customers	68,275	105.1
Other revenue	—	—
Total	68,275	105.1