



Financial Results for FYE May 2022

July 14, 2022

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 2022 Results

- 1. Consolidated Statement of Income**
- 2. Consolidated Balance Sheet**
- 3. Store Openings/Closings (Non-Consolidated)**
- 4. Performance Highlights (Non-Consolidated)**

FYE May 2023 Plan

- 1. New Store Openings and Renovation of Existing Stores**
- 2. Sales Measures**
- 3. Digital Strategy**
- 4. Capital Investment and Dividends**
- 5. FYE May 2023 Plan (Consolidated)**

Medium-term Management Plan

Sustainability Management

FYE May 2022 Results

1. Consolidated Statement of Income for FYE May 2022

	FYE May 2021 Results		FYE May 2022 Results				[Reference] Estimates Based on Old Standard FYE May 2022 Results		
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	Vs plan (%)	(Millions of yen)	Share (%)	YoY change (%)
Net sales	338,476	100.0	350,744	100.0	103.6	99.5	354,259	100.0	104.7
Gross profit	93,365	27.6	95,578	27.3	102.4	99.7	98,878	27.9	105.9
SG&A expenses	74,735	22.1	77,402	22.1	103.6	101.2	80,752	22.8	108.1
Operating profit	18,629	5.5	18,176	5.2	97.6	93.8	18,126	5.1	97.3
Ordinary profit	19,061	5.6	18,665	5.3	97.9	94.3	18,615	5.3	97.7
Profit attributable to owners of parent	12,376	3.7	12,595	3.6	101.8	98.6	12,560	3.5	101.5

2. Consolidated Balance Sheet for FYE May 2022

May 31, 2021

Total assets
163,824

May 31, 2022

Total assets
176,910

+13,086

Current
assets
91,084

Total
liabilities
67,186

Non-
current
assets
72,740

Total net
assets
96,638

Current
assets
98,115
+7,031

Total
liabilities
70,587
+3,400

Non-
current
assets
78,795
+6,054

Total net
assets
106,323
+9,685

(Millions of yen)

■ Current assets +7,031

Increase in cash equivalents	+2,784
Increase in accounts receivable	+1,476
Increase in merchandise	+2,159

■ Non-current assets +6,054

Increase in new and soon to be opened stores, etc.	+6,054
----------------------------------------------------	--------

■ Total liabilities +3,400

Liabilities related to retirement benefits	+442
Increase in accounts payable	+2,529

■ Total net assets +9,685

Retained earnings	+9,736
-------------------	--------

3. Store Openings/Closings (Non-Consolidated)

Store closings: **3 drug stores** (1 for S&B, and 2 after completion of contract), **1 dedicated prescription drug store** (after completion of contract)

■ Store openings/closings and renovations

No. of store openings in FYE May 2022		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
Store opening	Drug stores	17	8	1	2	0	2	30
	Prescription drug stores	29	10	3	5	2	1	50

・Renovations: **36 stores** (fresh foods enhancement: 4 stores, extension/renovation: 2 stores, pharmacy expansion: 4 stores, etc.)

■ No. of stores at year end

No. of stores as of May 31, 2022		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
Drug stores		390	111	89	49	18	29	686
	In-store pharmacies	171	45	21	20	10	7	274
	Rate of in-store pharmacies	43.8%	40.5%	23.6%	40.8%	55.6%	24.1%	39.9%
Dedicated prescription drug stores		27	7	0	2	0	1	37
Supermarkets		5	0	0	0	0	0	5
Total no. of stores		422	118	89	51	18	30	728

3. Store Openings/Closings (Non-Consolidated)

Conversion to drug store complex

■ Kawasaki Hoshigaoka store (Kawasaki City, Kanagawa)

- Opened in collaboration with Yuri Store supermarket
- Opened tenant stores in existing supermarkets, renovating into complex establishment
- In-store prescription drug stores

Yuri Store: Fresh foods, side dishes

Create: Other food products, daily necessities, cosmetics, medical and health products, prescription drug stores



4. Performance Highlights (Non-Consolidated)

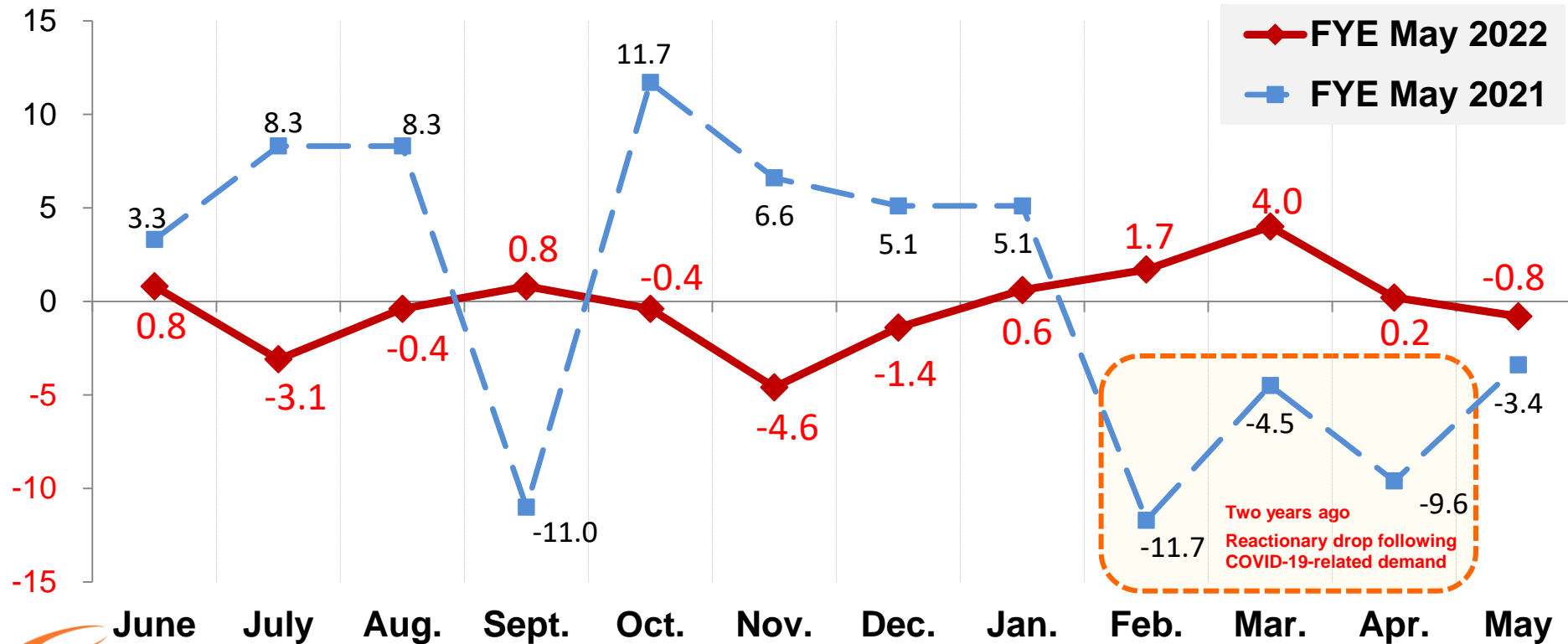
OTC: Reactionary drop to previous year's special demand for antiviral and stay-at-home products

Prescription drug stores: Sales remained firm with people going back for medical exams after the previous year

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

99.8% (H1: 98.8%, H2:100.7%)

└ OTC **98.8%** Prescriptions: **108.4%**



4. Performance Highlights (Non-Consolidated)

■ Net sales by segment

- Prescriptions as a percentage of sales up from 9.7% to **10.6%** (up 0.9 pts from previous year)
- Reactionary drop following previous year's special demand for antiviral products, cold medicines and make-up cosmetics still sluggish
- Food products performed well despite gradual decline in stay-at-home demand

	FYE May 2021 Results		FYE May 2022 Results			[Reference] Estimates Based on Old Standard FYE May 2022 Results		
	Net sales (millions of yen)	Share (%)	Net sales (millions of yen)	Share (%)	YoY change (%)	Net sales (millions of yen)	Share (%)	YoY change (%)
Medical and health products	89,417	27.0	94,159	27.4	105.3	94,774	27.3	106.0
OTC	57,418	17.3	57,350	16.7	99.9	57,965	16.7	101.0
Prescriptions	31,999	9.7	36,808	10.7	115.0	36,808	10.6	115.0
Cosmetics	40,906	12.3	42,075	12.2	102.9	42,526	12.2	104.0
Food products	130,882	39.4	136,437	39.6	104.2	138,089	39.7	105.5
Daily products	53,859	16.2	54,815	15.9	101.8	55,403	15.9	102.9
Other*	16,848	5.1	16,869	4.9	100.1	17,079	4.9	101.4
Total	331,914	100.0	344,357	100.0	103.7	347,873	100.0	104.8

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

4. Performance Highlights (Non-Consolidated)

■ Gross profit margin/SG&A ratio (Based on Old Standard)

Gross profit margin: 28.06% Up 0.29 pts YoY Up 0.12 pts vs target

Improvement factors:

- Increase in prescriptions as percentage of sales
- Increase sales of antigen testing agents and antipyretic analgesics
- Continue to refrain from distributing promotional flyers

SG&A ratio: 23.22% Up 0.68 pts YoY Up 0.48 pts vs target

- **Personnel expense ratio: 12.46%** Up 0.50 pts YoY Up 0.29 pts vs target

Factors behind the increase:

- Increased hiring of pharmacists to support opening of prescription drug stores
- Decrease in turnover rate from previous year

- **Other expense ratio: 10.76%** Up 0.19 pts YoY Up 0.18 pts vs target

Factors behind the increase:

- Increase in utility expenses associated with sharp rise in fuel prices
- Increase in commissions in conjunction with increase in cashless transactions

4. Performance Highlights (Non-Consolidated)

■ Prescription drug store department

With people going back for medical exams and the end to longer-term prescriptions in previous year, both number of prescriptions and net sales were firm

	FYE May 2021 Results	FYE May 2022 Results	YoY change (%)
Sales at all stores (millions of yen)	31,999	36,808	115.0
No. of prescriptions (thousands)	3,290	3,817	116.0
Prescription unit price (yen)	9,580	9,467	98.8
Sales at existing stores (millions of yen)	30,789	34,512	108.4
No. of prescriptions (thousands)	3,148	3,546	108.4
Prescription unit price (yen)	9,638	9,573	99.8
Home-based dispensing sales (millions of yen)	1,400	1,295	92.5
No. of stores offering home-based dispensing services	154	157	+3
No. of prescriptions (thousands)	93	88	95.1
Gross profit margin at all stores (%)	42.9	42.9	±0

FYE May 2023 Plan

1. New Store Openings and Renovation of Existing Stores

■ New store openings

40 drug stores / **65** prescription drug stores

In-store pharmacy rate **46.9% (+7.0 pts)**

- Greater dominance in different types of store openings
- Further concessionary type store openings
...Store openings in collaboration with Yuri Store, local supermarkets, fresh produce stores
- Promote collaboration with regional medical institutions

	May 31, 2022 No. of stores	May 31, 2023 No. of stores
Drug stores	686	723
In-store pharmacies	274	339
Rate of in-store pharmacies	39.9%	46.9%
Dedicated prescription drug stores	37	36
Supermarkets	5	5
All stores	728	764

■ Existing store renovations

Planned renovations **30 stores**

- Convert to concessionary type stores
- Review product lineup with greater food product selection, etc.
- In-store prescription drug stores
- More subdivided pharmacies... and more



2. Sales Measures (Drug Store Department)

■ Review business hours to meet customer needs

- Review business hours of drug stores which were reduced all across the country because of the pandemic **in line with the local area and customer needs**
 - Consider safety and work environment for employees, reviewing at every store
- Earlier store open:
Approx. 30 stores
 - Longer evening hours:
Approx. 100 stores

■ More convenience with greater product lineup

- Handle more food items including fresh foods
... Promote concessionary business, greater food product selection with renovations at existing stores
- Develop new and revamp private brand products
- Adopt wider range of eco-friendly products
... Biomass plastics, recycled PET, etc.



■ Initiatives to curb SG&A expenses

- Control man-hours at each store, optimize staffing
- Install solar panels (power purchase agreements)

2. Sales Measures (Prescription Drug Store Department)

■ Greater dominance in prescription drug stores

▪ New store openings

Prescription drug stores **65 stores**

In-store pharmacy rate **46.9% (+7.0 pts)**

▪ As of May 31, 2024: In-store pharmacy rate
50% (forecast)

▪ Strengthen cooperation with neighboring medical institutions



■ Response to revision of medical fees

▪ Strengthen family pharmacy functions

... Training of family pharmacists, more people-focused work, increased response to demand for at-home care, etc.

▪ Establish system to respond to demand, including use of IT

... Utilizing prescription forwarding app

Online medication guidance, refill prescriptions, e-prescription support, etc.

▪ Optimize staffing

... Controlling overtime hours, including a review of business hours, operating labor schedules

3. Digital Strategy

■ Promote use of official app and expand functionality

- Promote shift **from traditional card members to app members**

... Distributing various coupons on the app

- Expand prescription functionality on the official app

... Prescription forwarding, electronic prescription record, online medication guidance, medication follow-up



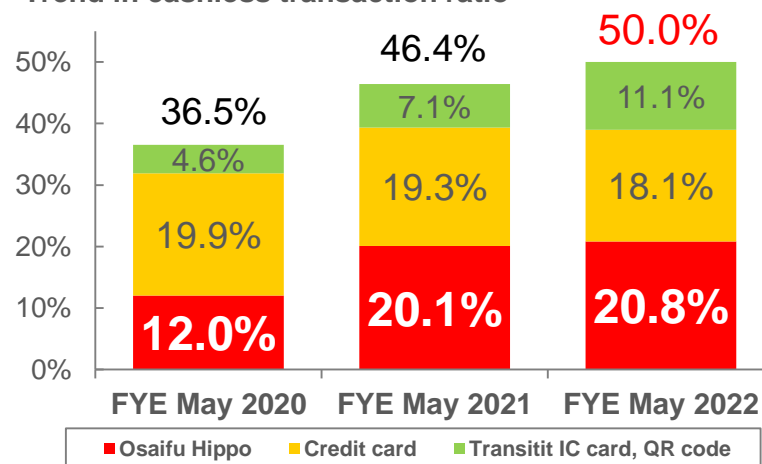
■ Response to diverse transaction methods

- Cashless transaction ratio: **50.0%** (May 31, 2022)
Hippo transaction ratio: **20.8%** (May 31, 2022)

- Promote use of our own digital wallet, Osaifu Hippo

... Promoting cashless transactions, reducing commissions

Trend in cashless transaction ratio



4. Capital Investment and Dividends

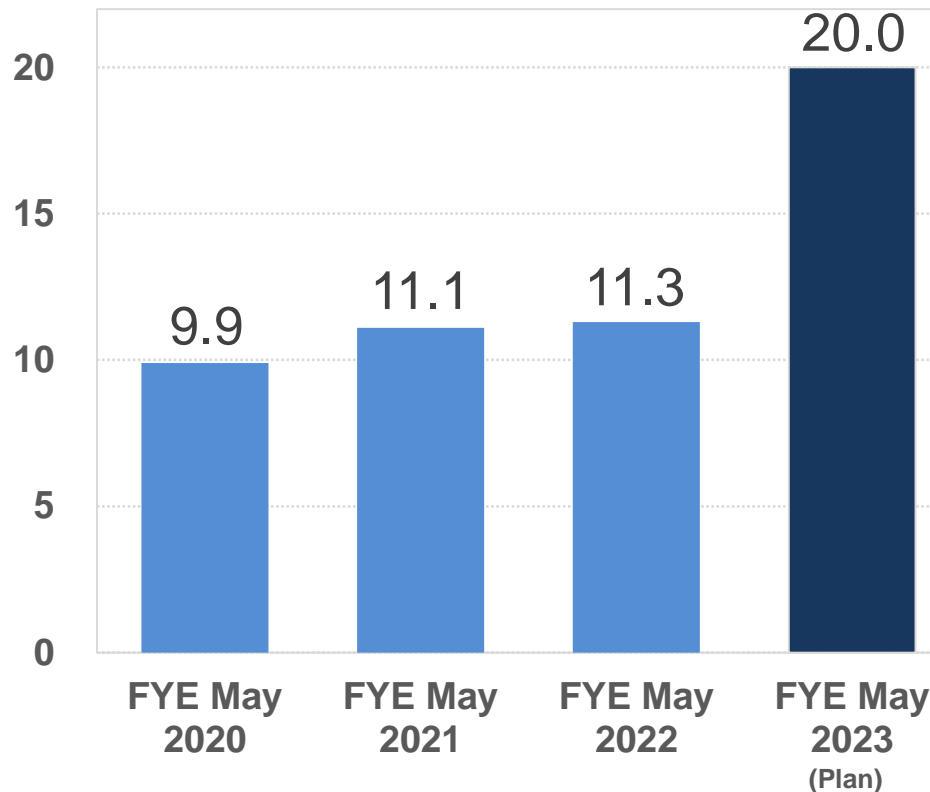
■ Trend in capital investment

Planning aggressive capital investment

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

(Billions of yen)

Trend in capital investment



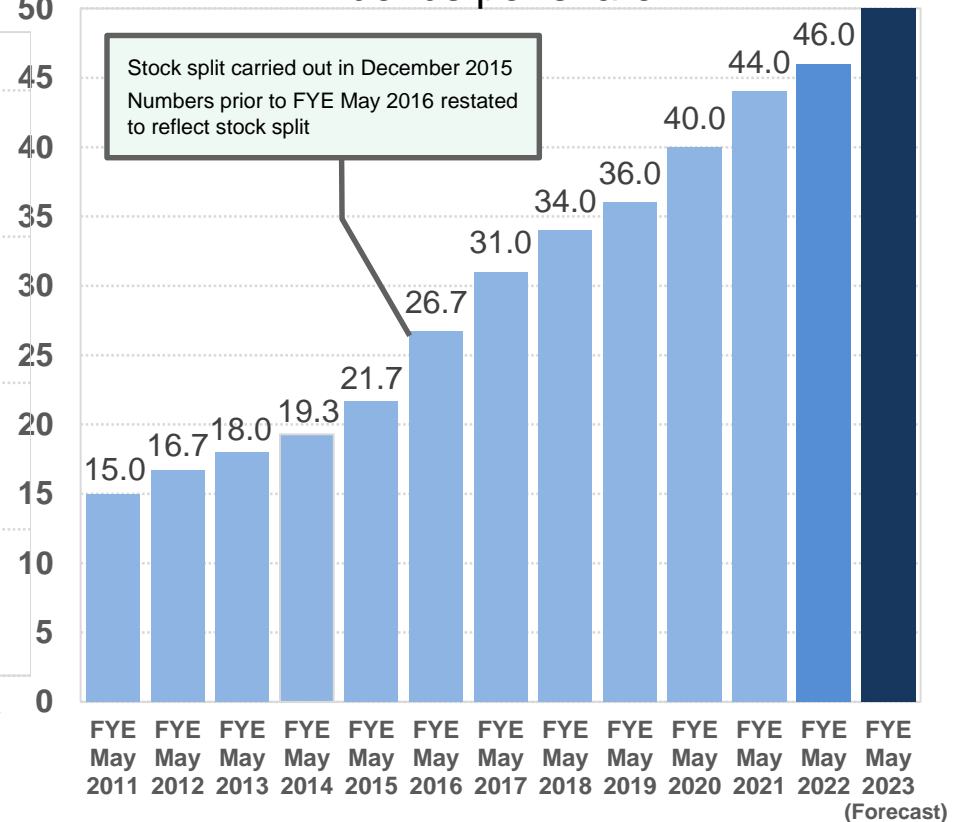
■ Trend in dividends

10 consecutive years of dividend increases

... Stable and continuous dividend increase

(Yen)

Dividends per share



5. FYE May 2023 Full Year Plan (Consolidated)

*After standard for revenue recognition applied

Full-year	FYE May 2022 Results		FYE May 2023 Plan			
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	Difference (Millions of yen)
Net sales	350,744	100.0	371,300	100.0	105.9	+20,555
Gross profit	95,578	27.3	101,240	27.3	105.9	+5,661
SG&A expenses	77,402	22.1	84,270	22.7	108.9	+6,867
Operating profit	18,176	5.2	16,970	4.6	93.4	-1,206
Ordinary profit	18,665	5.3	17,400	4.7	93.2	-1,265
Profit	12,595	3.6	11,440	3.1	90.8	-1,155

Plan Assumptions:

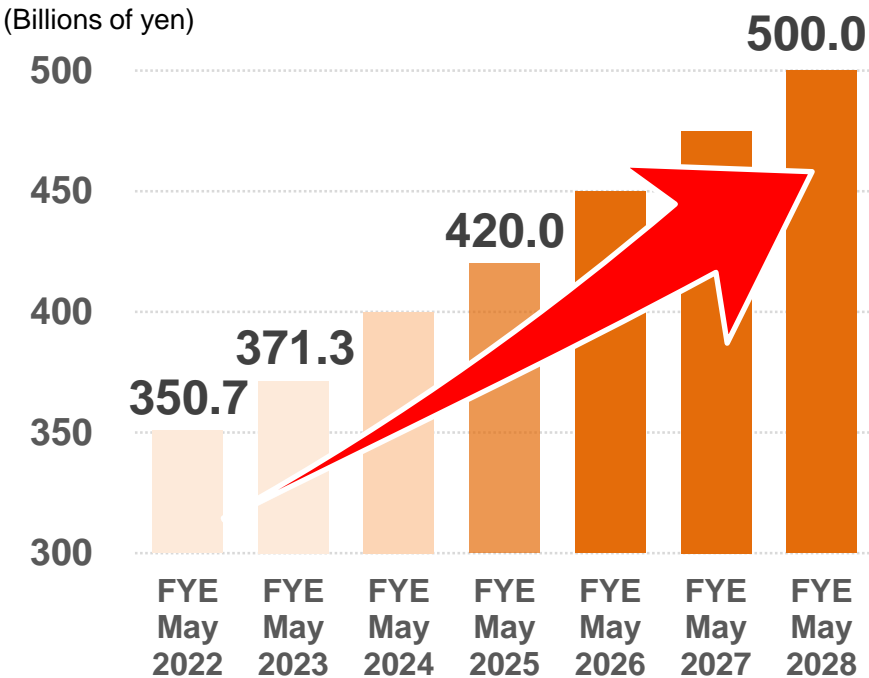
- Store openings: **40** drug stores **65** prescription drug stores
- Store closings: 3 drug stores 1 prescription drug store
- Existing stores **101.6%** (drug stores **100.9%** prescription drug stores **108.2%**) ⇒ Extended business hours, sustained high growth for prescription drug stores
- Increased utility costs due to soaring fuel prices **Up 1.8 billion yen** (2.8 billion yen in previous year)
- Expect to lead on hiring pharmacists in light of accelerating prescription drug store openings, raise minimum wages, and introduce corporate-type defined contribution pension plans

Medium-term Management Plan

Medium-term Management Plan

■ Net sales target (consolidated)

(Billions of yen)



Three-year plan targets:

Net sales **420 billion yen**

Ordinary margin **5.0%**

No. of stores **850**

In-store pharmacy rate **55%**

FYE May 2028 targets:

Net sales **500 billion yen**

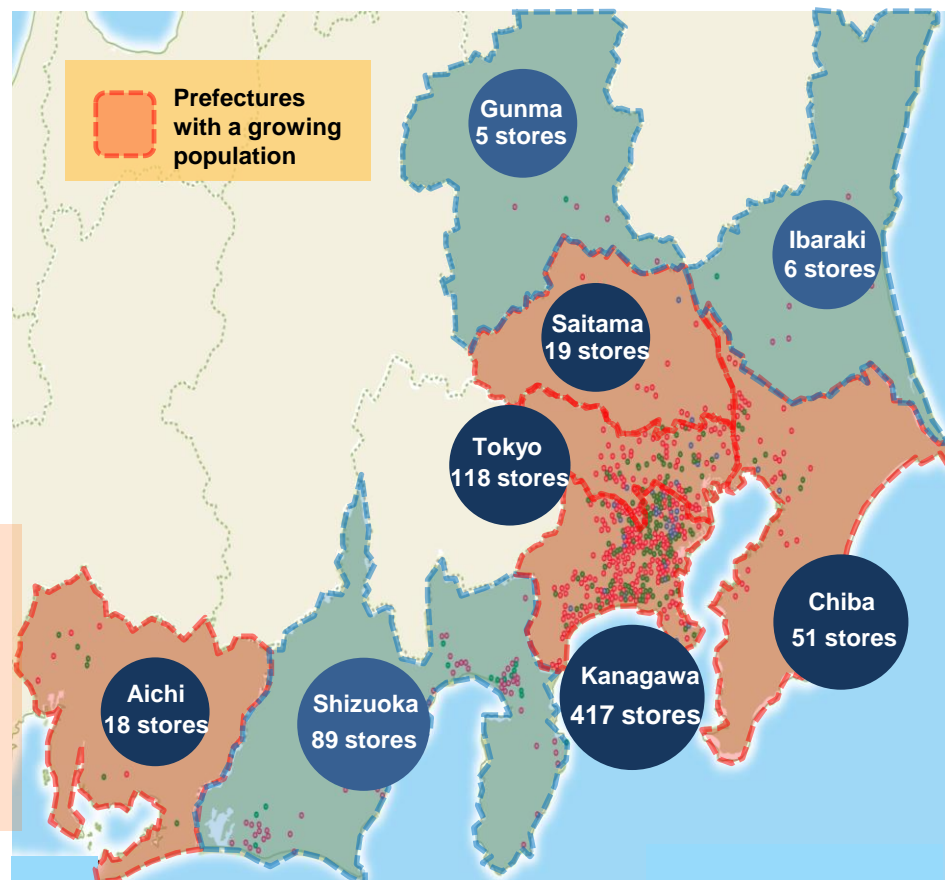
Ordinary margin **5.0%**

No. of stores **1,000**

In-store pharmacy rate **65%**

■ Store opening strategy

- Concentrate store openings in areas of population growth in Kanto/Tokai region
- Greater dominance with different types of store openings



Sustainability Management

Promoting Sustainability Management



■ Initiatives in FYE May 2021

- * Establishment of the Sustainability Promotion Committee
- * Establishment of the Nomination and Remuneration Committee consisting primarily of independent outside directors
- * Creation of Basic Policy on Sustainability and identification of material issues (Materiality)

■ Basic Policy on Sustainability

Based on our company creed of modesty and integrity, the Create SD Group positions sustainability initiatives as an important management issue, and aims to achieve **both sustainable enhancement of corporate value and the realization of a sustainable society** through sincere and fair business activities.



Sustainability Initiatives

■ Business activities with the global environment in mind



Continued ISO 14001* certification

*ISO 14001 - An international standard for environmental management systems

⇒ Since 2001, **continuous certification at all stores for more than 20 years**

- Reducing waste (plastic bottle tops, cardboard recycling)
- Efficient use of resources (less plastic bags, energy-saving air conditioning and lighting)
- Consideration for the surrounding area (curbing noise in parking lots, exhaust gas, etc.)
- Low cost and better work environment



Future initiatives:

- Information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
 - ⇒ Identifying climate change risks and opportunities, calculating CO₂ emissions (Scopes 1, 2, and 3), etc.
- Install solar panels
- Development of eco-friendly private brands
- Improved logistical efficiency... and more

Sustainability Initiatives

■ Contribution to health of customers, patients and to community medical care



Support base that assists daily life, prevention, treatment, and nursing care

- Promotion of family pharmacies
- Social contributions in the nursing care field, collaboration with home medical care
- Disaster cooperation agreements with local governments, activities to raise money
- Sales of antigen testing agents, free PCR testing
- Health consultations, advice on taking prescription drugs



Lifelines that support the health and lives of local residents

⇒ Continue to open highly sustainable, community-based stores

- In the 38 years since our establishment, only 22 stores have closed due to poor sales
- Concentrated store openings in areas with population growth
- Strict store opening standards
- Proposals on product lineup and store layout according to size and location
- Efficient operations through dominant store openings (logistics, human resources, sales promotion)



Sustainability Initiatives

■ Realization of a rewarding company that values its employees



Good work environment and diversity for employees

- Creation of a work environment that is comfortable for women to work in (finding ways to limit heavy loads in distribution centers and with work equipment)
- Childcare leave system and shortened work hours system above statutory requirements
- Percentage of female managers **15.6%** (previous year: 14.5% two years before: 13.3%)
- Achieve statutory employment rate of 2.30% for persons with disabilities (73 people with disabilities employed at special subsidiary)

■ Promotion of honest and fair business activities







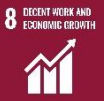




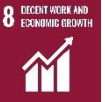


Strengthening an effective governance system

- Establishment of **Nomination and Remuneration Committee and Sustainability Promotion Committee**
 - Revisions to whistleblowing regulations following the amended Whistleblower Protection Act
- ⇒ Establishment of new helpline for head office employees in addition to whistleblowing system

Promoting Sustainability Management



■ Priority material issues

Material Issues	Group Direction	Example Initiative
Business activities with the global environment in mind   	<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 (waste reduction, efficient utilization of resources, etc.) • Improved energy efficiency, including air conditioning and lighting • Reduced CO₂ emissions by improving efficiency of distribution • Less food waste by improving order accuracy, etc. • Installation of solar panels on rooftops of distribution centers and stores
Contribution to health of customers, patients and to community medical care   	<ul style="list-style-type: none"> • Provide safe and secure products and services • Contribute to regional medical care as a lifeline and medical infrastructure that supports the health and lives of local residents • Continue to open highly sustainable and community-based stores 	<ul style="list-style-type: none"> • Enhanced expertise through in-store prescription drug stores and improved convenience with one-stop shopping for essential items • Contribution to community health in home-based services and nursing care domain • Hosting of various events such as health consultation meetings • Opening stores based on strict standards with few store closures • Disaster cooperation agreements and business continuity plans
Realization of a rewarding company that values its employees   	<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 a work environment that is comfortable for women to work in • Regular individual interviews from a work-life balance perspective • Initiatives to support the development of the next generation • Promoting and maintaining better health and improving screening rate • Job creation at special subsidiary
Promotion of honest and fair business activities   	<ul style="list-style-type: none"> • Strengthening effective governance system • Implementation of appropriate risk management • Promotion of fair trade and partnerships with business partners • Maintaining and improving corporate morals through corporate activities in accordance with corporate creed, management philosophy, and code of conduct 	<ul style="list-style-type: none"> • Establishment of Audit and Supervisory Committee, Nomination and Remuneration Committee • Establishment of Compliance Committee • Whistleblower system • Strengthening risk management and information security • In-house training and employee education • Appropriate information disclosure and proactive dialogue