



Financial Results for Q2 of FYE May 2023 (June 1, 2022 to November 30, 2022)

January 12, 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.

Consolidated Results for H1 of FYE May 2023

- 1. Consolidated Statement of Income**
- 2. Consolidated Balance Sheet**
- 3. Performance Highlights (Non-Consolidated)**

Initiatives in H2 of FYE May 2023

- 1. New store openings**
- 2. Sales measures at drug stores**
- 3. Sales measures at prescription drug stores**
- 4. Promotion of sustainability**

Revised FYE May 2023 Plan

- 1. Key Points of Revised Plan for Consolidated Performance**
- 2. Revised FYE May 2023 Plan (Consolidated)**

Reference: Progress on Medium-term Management Plan

Results for H1 of FYE May 2023

1. Consolidated Statement of Income for H1 of FYE May 2023

	FYE May 2022 H1 Results		FYE May 2023 H1 Results			
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)	Vs plan (%)
Net sales	173,823	100.0	187,392	100.0	107.8	102.8
Gross profit	46,968	27.0	50,989	27.2	108.6	103.8
SG&A expenses	38,125	21.9	41,754	22.3	109.5	99.8
Operating profit	8,843	5.1	9,235	4.9	104.4	127.0
Ordinary profit	9,088	5.2	9,451	5.0	104.0	126.0
Profit attributable to owners of parent	6,167	3.5	6,412	3.4	104.0	125.0

2. Consolidated Statement of Income for H1 of FYE May 2023

May 31, 2022
Total assets
176,910

Nov. 30, 2023
Total assets
185,601 (+8,690)

Current assets 98,115	Total liabilities 70,587
Non-current assets 78,795	Total net assets 106,323

Current assets 96,031 (-2,084)	Total liabilities 74,299 (+3,712)
Non-current assets 89,570 (+10,774)	Total net assets 111,301 (+4,978)

(Millions of yen)

■ **Current assets -2,084**

Cash and deposits -5,219

Merchandise +1,636

■ **Non-current assets +10,774**

Land +6,973

Buildings and structures +3,765

■ **Liabilities +3,712**

Accounts payable +1,864

Liabilities related to retirement benefits +187

■ **Total net assets +4,978**

Retained earnings +4,958

3. Performance Highlights (Non-Consolidated)

■ Store openings/closings and renovations

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

No. of store openings in H1 of FYE May 2023		Kanagawa	Tokyo	Shizuoka	Chiba	Saitama	Annual
Store opening	Drug stores	10	2	3	1	0	16
	Prescription drug stores	15	5	2	3	1	26

- Renovations: **14 stores** (revised merchandising: 2 stores; supported prescription drug store openings: 12 stores)

■ No. of Stores as of November 30, 2022

Closings: **1 Yuri Store** (to improve management efficiency)

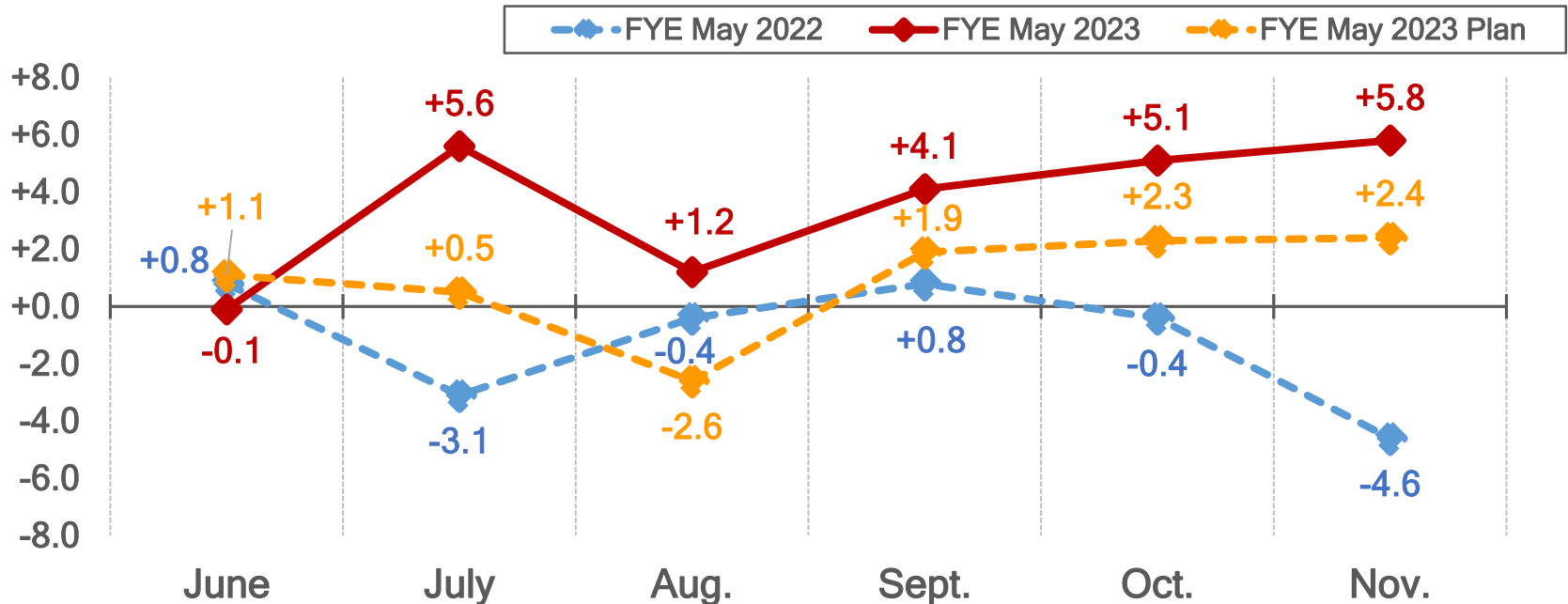
No. of stores as of November 30, 2022		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Annual
Drug stores		399	113	92	50	18	29	701
In-store pharmacies		187	50	23	23	10	8	301
Rate of in-store pharmacies		46.9%	44.2%	25.0%	46.0%	55.6%	27.6%	42.9%
Dedicated prescription drug stores		25	7	0	2	0	1	35
Yuri Store		4	0	0	0	0	0	4
Total no. of stores		428	120	92	52	18	30	740

3. Performance Highlights (Non-Consolidated)

■ H1 YoY net sales comparison at existing stores:

103.6% (OTC: **102.8%**; prescriptions: **110.6%**)

H1 plan: 100.9% (OTC: **99.9%**; prescriptions: **109.7%**)



Factors this year

- ★ Negative factor in June: Average temperatures lower than previous year through end of month
- ★ Positive factors in July-August: Increase in opportunities to go out, impact of heat wave (seasonal cosmetics, makeup, summer heat products)
- ★ Positive factors in July-November: Growth of medical and health products category amid spread of COVID-19
- ★ Positive factors in September-November: Successful EDLP measures, including for daily necessities, led to increase in number of customers and sales per customer amid increase in economizing as cost of living rose

3. Performance Highlights (Non-Consolidated)

■ Net sales —Net sales by segment—

- Growth in medical and health products category arising from 7th wave of COVID-19 (common cold medicines, medical products, and antigen test kits)
- Increase in prescriptions as percentage of sales with promotion of in-store pharmacies at drug stores (up 0.9pts YoY)
- Growth of food products with successful EDLP measures, primarily for daily necessities

	FYE May 2022 H1 Results		FYE May 2023 H1 Results		
	Net sales (millions of yen)	Share (%)	Net sales (millions of yen)	Share (%)	YoY change (%)
Medical and health products	45,729	26.8	51,050	27.6	111.6
OTC	28,258	16.6	30,588	16.5	108.2
Prescriptions	17,471	10.2	20,461	11.1	117.1
Cosmetics	20,907	12.3	22,286	12.1	106.6
Food products	67,795	39.7	73,549	39.8	108.5
Daily products	27,797	16.3	28,907	15.7	104.0
Other*	8,324	4.9	8,870	4.8	106.6
Total	170,553	100.0	184,664	100.0	108.3

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

3. Performance Highlights (Non-Consolidated)

■ Gross profit margin: 27.4% Up 0.2 pts YoY

Boosting factors: Increase in prescriptions as a percentage of sales, increase in sales of medical and health products category

■ SG&A ratio: 22.7% Up 0.3 pts YoY

▪ Personnel expense ratio: 12.5% Down 0.1 pts YoY

Suppressing factors: Optimization of staffing through man-hour control and review of the number of mid-career hires

▪ Commissions paid vs. sales: 1.3% Up 0.1 pts YoY

Boosting factors: Cashless campaigns carried out by municipalities (Kanagawa Pay: July–October, QR code payment perk campaign, etc.)

▪ Utility expenses vs. sales: 1.1% Up 0.3 pts YoY

Boosting factors: Increase in utility expenses associated with sharp rise in electricity prices

■ Operating margin: 4.7% Down 0.1 pts YoY

3. Performance Highlights (Non-Consolidated)

■ Dispensing department —Net sales/No. of prescriptions/prescription unit price—

- Negative impact of last year's revision of medical fees is minor as reduction of basic dispensing fee does not apply this year

	FYE May 2022 H1 Results	FYE May 2023 H1 Results	YoY change (%)
Sales at all stores (millions of yen)	17,471	20,461	117.1%
No. of prescriptions (thousands)	1,847	2,179	118.0%
Prescription unit price (yen)	9,302	9,164	98.5%
Sales at existing stores (millions of yen)	17,370	19,218	110.6%
No. of prescriptions (thousands)	1,835	2,035	110.9%
Prescription unit price (yen)	9,311	9,232	99.1%
Home-based dispensing sales (millions of yen)	670	618	92.2%
No. of stores offering home-based dispensing services	154	169	+15
No. of prescriptions (thousands)	45	44	96.2%
Gross profit margin at all stores (%)	43.6	43.7	+0.1 pt

Initiatives in H2 of FYE May 2023

1. New store openings

■ H2 store openings/closings Forecast as of November 30, 2022

- Drug stores: 19 stores (Full-year forecast: 35 stores)
- Prescription drug stores: 35 stores (Full-year forecast: 61 stores)

	H1 store openings	H2 store openings	Full-year store opening Forecast	Full-year store closings	May 31, 2023 No. of Stores (Forecast)
Drug stores	16	19	35	3 (Completion of contract)	718 stores
In-store pharmacies	26	35	61	0	335 stores (In-store pharmacy rate: 46.7%)
Dedicated prescription drug stores	0	0	0	1 (Completion of contract)	36 stores
Yuri Store	0	1 (Fresh produce stores)	1 (Fresh produce stores)	1 (Increase management efficiency)	5 stores (Including 3 fresh produce stores)
Total no. of stores	16	20	36	5	759 stores

2. Sales measures at drug stores

■ Renovations to revitalize existing stores

- Enhancement of fresh produce lineup and promotion of in-store pharmacies
 - Planned 2H renovations: **30 stores** (Full-year forecast: 44 stores)

- Renovations to enhance fresh produce: **11 stores**
 - Improve convenience by reviewing product lineup
- Renovations to expand prescriptions: **2 stores**
 - Enhance cooperation with invited medical institutions
- Supported prescription drug store openings: **16 stores**
- Store rebuilds: **1 store**

■ Merchandise/sales measures

- Continuation of EDLP measures and improvement of selling prices in limited-time-only sales
 - Draw attention to EDLP and increase **number of customers and sales per customer**
- Promotion of mix and match measures
 - Promote **bulk buying with sales of product sets**, increase **number of items purchased**
- Development of new private brand (PB) products and revamping of existing PB products
 - Secure **price advantage** amid successive name brand (NB) price hikes



3. Sales measures at prescription drug stores

■ Greater dominance in prescription drug stores

↳ Prescription drug store opening forecast for this year: **61 stores**

(Year-end : **46.7%** rate of in-store pharmacies quickly)

- As of May 31, 2024: In-store pharmacy rate of 50% (forecast)
- Strengthen cooperation with neighboring medical institutions

■ Response to last year's revision of medical fees

↳ Reduction of basic dispensing fee in April 2023

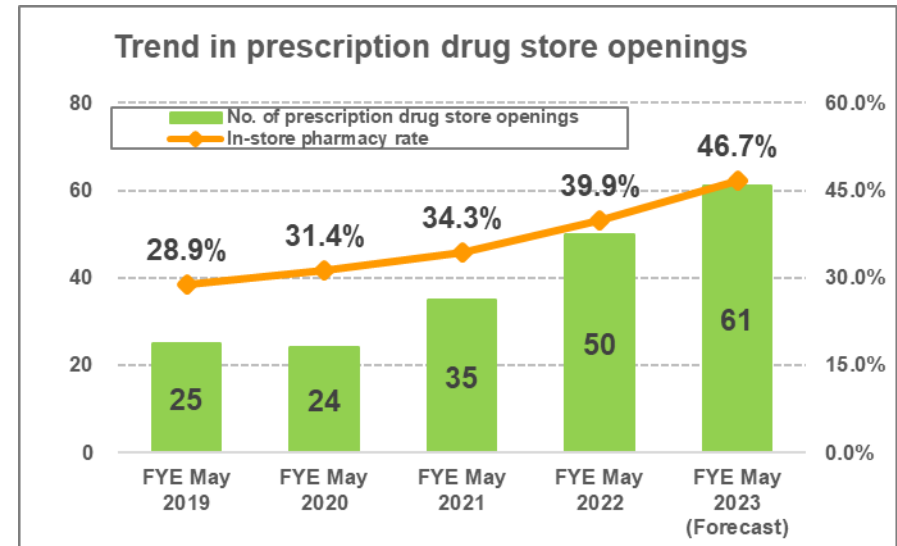
Premiums for local support system

→ Expansion of stores addressing home-based demand

Target for May 31, 2023: 187 stores
As of November 30, 2022: 169 stores

→ Promotion of “family pharmacist” training

Target for May 31, 2023: 287 pharmacists
As of November 30, 2022: 239 pharmacists



Premiums for generics dispensing system

→ Strengthening of initiatives centered on stores not included in calculation due to 5% increase in generic drug usage rate (usage rate of less than 80%)

Target for May 31, 2023: 320 stores
As of November 30, 2022: 279 stores

3. Sales measures at prescription drug stores

■ Introduction of inventory management system

- **Reduce losses on medical and health products** through visualization of inventory at other stores and improved inventory efficiency

- **Improve profit margin through bookkeeping**

→ Curb decline in profit associated with reductions in basic dispensing fees starting in April 2023

■ Addition of prescription functionality to official smartphone app

- **Improve convenience for patients**

Prescription forwarding function
Electronic prescription record
Prescription drug dose check function
Drug consultation chat function
Online instructions for taking prescription drugs

■ Addressing of demand for e-prescriptions

- **Some stores have set up demand response system to prepare for start of operations on January 26**

→ Online eligibility verification instrument

To be introduced at all stores by end of March

→ Modify prescription management system

→ Apply for pharmacist qualification certificate (HPKI) card



4. Promotion of sustainability

■ Disclosure of information based on TCFD recommendations



▪ August 2022: **Endorsed TCFD recommendations**

→ Disclosed climate change-related information on website including (1) governance, (2) identification of risks and opportunities, (3) risk management system, and (4) trends in Scope 1 and Scope 2 emissions

< <https://www.createsdhd.co.jp/company/sustainability/tcfd/tabid/143/Default.aspx> > (in Japanese only)

▪ Will continue to enhance quality and quantity of information disclosures

■ Promotion of white logistics through streamlining

▪ Change to method of consolidating, sorting, and delivering sales promotion materials that were previously sent individually by each manufacturer to stores via courier

→ Aim to **reduce CO₂ emissions** by improving work efficiency at stores and reducing number of shipments

▪ Promote white logistics by establishing a new facility and improving delivery efficiency, including fresh food



Revised FYE May 2023 Plan

1. Key Points of Revised Plan for Consolidated Performance

■ Revised full-year forecasts

(Millions of yen)	1H			Full-year		
	Initial target	Results	Vs initial target	Initial target	Revised plan	Vs initial target
Net sales	182,270	187,392	+5,122	371,300	376,800	+5,500
Operating profit	7,270	9,235	+1,965	16,970	18,950	+1,980
Ordinary profit	7,500	9,451	+1,951	17,400	19,380	+1,980
Profit attributable to owners of parent	5,130	6,412	+1,282	11,440	12,700	+1,260

H2 positive factors

- (1) Strong results in products to combat infection and common cold-related products due to recent spread of COVID-19
- (2) Strong results expected in allergy products (pollen levels this year predicted to be double what they were the previous year)

H2 negative factors

- (1) Uncertainty over future due to COVID-19
- (2) Concern over weaker consumption arising from rush to raise product prices and soaring utility expenses
- (3) Reduction of basic dispensing fee and premium for local support system due to last year's revision of medical fees (starting in April 2023)

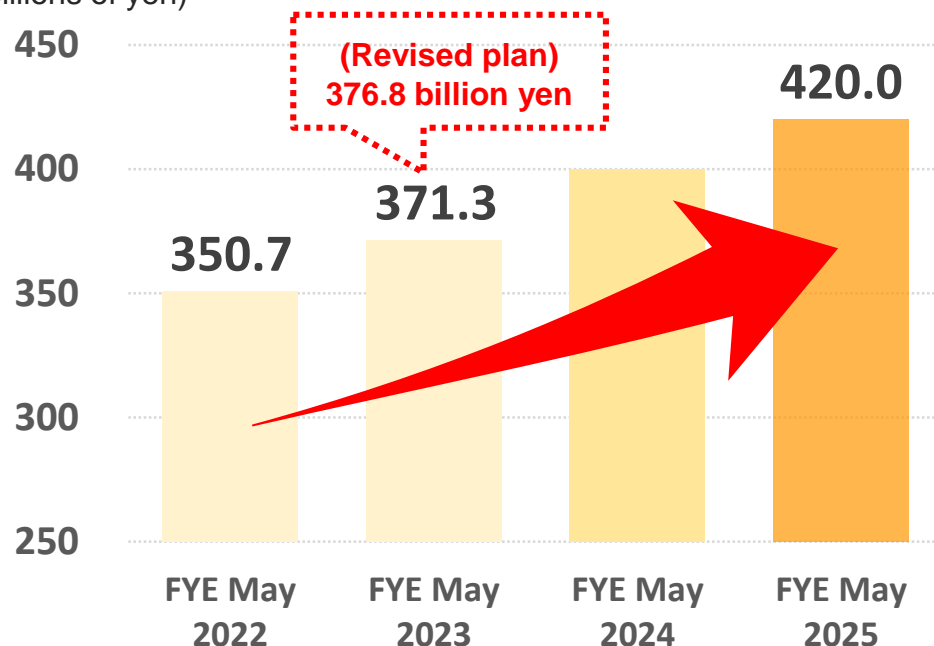
2. Revised FYE May 2023 Plan (Consolidated)

Full-year	FYE May 2022 Results		Revised FYE May 2023 Plan		
	(Millions of yen)	Share (%)	(Millions of yen)	Share (%)	YoY change (%)
Net sales	350,744	100.0	376,800	100.0	107.4
Gross profit	95,578	27.3	103,550	27.5	108.3
SG&A expenses	77,402	22.1	84,600	22.5	109.3
Operating profit	18,176	5.2	18,950	5.0	104.3
Ordinary profit	18,665	5.3	19,380	5.1	103.8
Profit attributable to owners of parent	12,595	3.6	12,700	3.4	100.8

Reference: Progress on Medium-term Management Plan

■ Net sales target (consolidated)

(Billions of yen)



FYE May 2025 targets:

Net sales 420 billion yen

Ordinary margin 5.0%

No. of stores 850

In-store pharmacy rate 55.0%

■ Expected progress on Medium-term Management Plan

- Progress ahead of schedule in first year with **net sales of 376.8 billion and ordinary margin of 5.1%.**
- Store openings expected to fall short of plan this year, but will make up for delay next year **by reviewing development system and store opening criteria and adjusting area of store openings.**
- Rate of in-store pharmacies to progress mostly according to plan.