



New Medium-Term Management Plan

- Next STAGE 2030 -

July 17, 2025

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: Ozaki or Ryota Kimura (hdinfo@create-sd.co.jp), Corporate Planning Office.

New Medium-Term Management Plan

- Next STAGE 2030 -

- 1. Review of Previous Medium-Term Management Plan**
- 2. Overview of New Medium-Term Management Plan**
- 3. Growth Strategy**
- 4. Financial Strategy**
- 5. Sustainability Management**

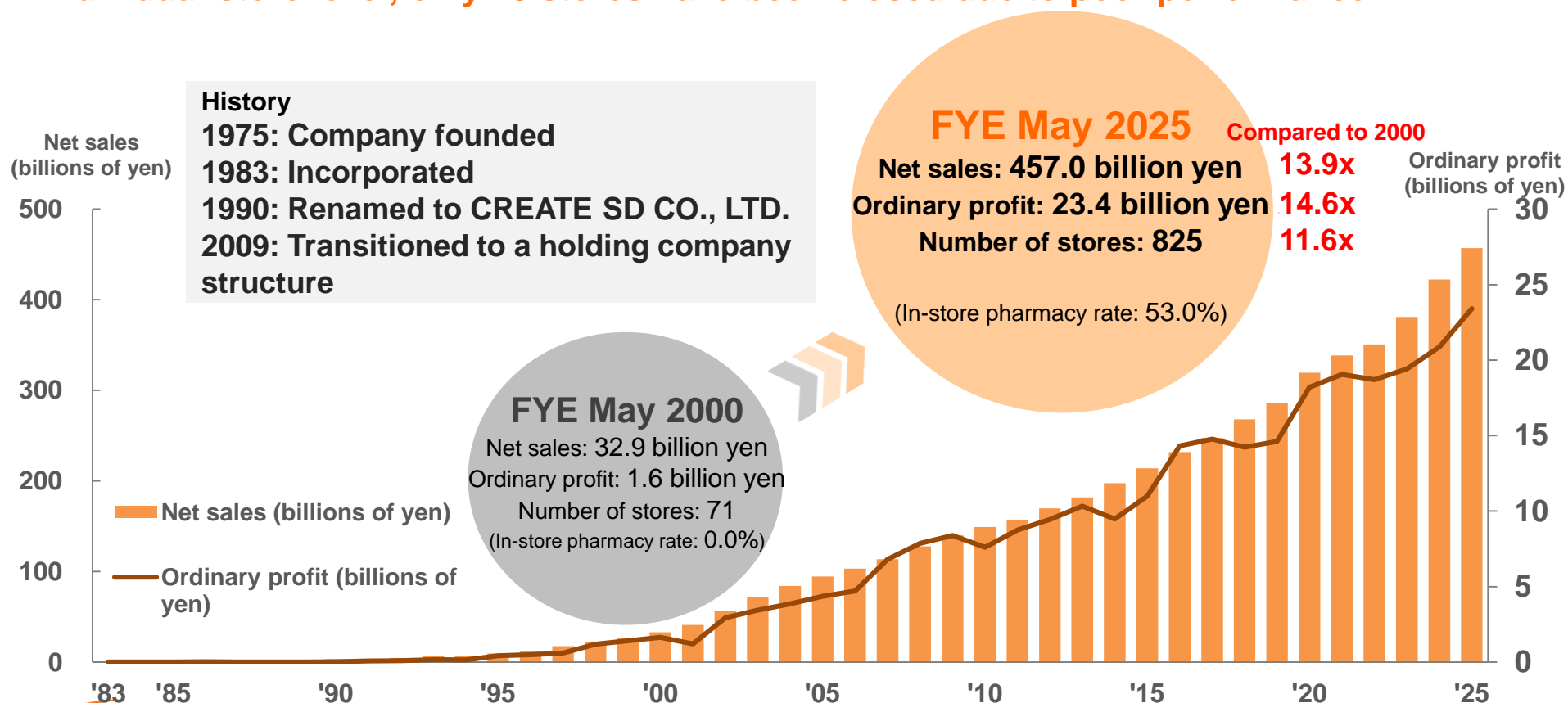
1. Review of Previous Medium-Term Management Plan

1. Review of Previous Medium-Term Management Plan

History and Business Performance

Over the past 50 years since its founding, the company has expanded its scale through organic growth.

Thanks to efficient operations in dominant areas and strong competitiveness at individual store level, only 25 stores have been closed due to poor performance.



1. Review of Previous Medium-Term Management Plan

■ Progress on the Previous Medium-Term Management Plan

Net sales reached the target set in the previous medium-term plan more than a year ahead of schedule, with both the amount and margin of ordinary profit exceeding the initial plan.

Legend: ◎ = Exceeded, △ = Below target

	FYE May 2025 Initial Plan (announced in July 2022)	FYE May 2025 Results	Valuation	Comments
Net sales	420.0 billion yen	457.0 billion yen	◎	<ul style="list-style-type: none"> Continued promotion of EDLP strategy resulted in steady performance in sales and customer numbers at existing stores Expanded product lineup including fresh foods
Ordinary profit	21.0 billion yen	23.4 billion yen	◎	<ul style="list-style-type: none"> Increase in prescriptions as a percentage of sales (12.5%) Review of sales promotion methods (EDLP) Cost control, including personnel expenses
Ordinary profit margin	5.0%	5.1%	◎	
No. of stores	850	825	△	No. of stores → Shift to larger store format with more floor space per store
In-store pharmacy rate	55.0%	53.0%	△	In-store pharmacy rate → Limited store openings to maintain operational efficiency and hiring balance

2. Overview of New Medium-Term Management Plan

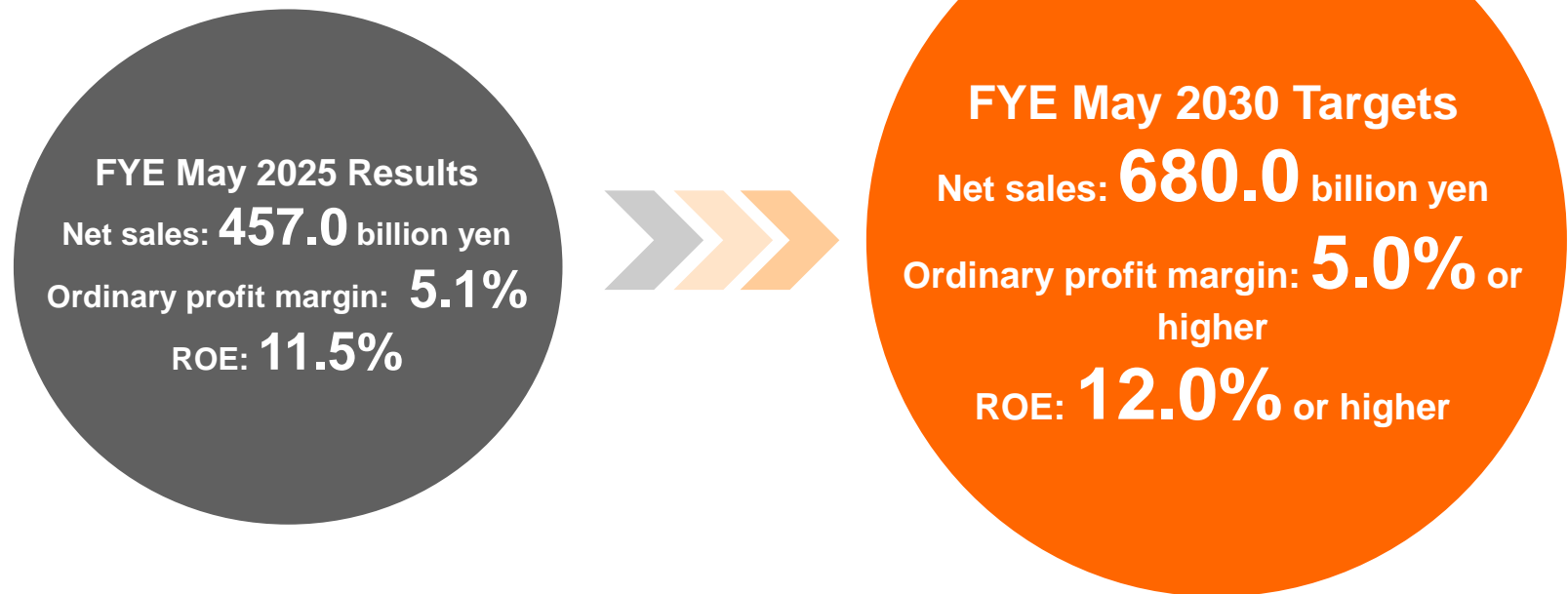
2. Overview of New Medium-Term Management Plan

■ Theme of New Medium-Term Management Plan

- Next STAGE 2030 -

For the long-term enhancement of corporate value, we aim to expand the top line while maintaining an ordinary profit margin of 5.0% or higher and achieving ROE of 12.0% or higher.

■ Quantitative Targets for FYE May 2030



2. Overview of New Medium-Term Management Plan

■ Key Strategies of the New Medium-Term Management Plan

- Next STAGE 2030 -

Growth Strategy

- ▶ Store Opening Strategy
- ▶ Prescription Business Strategy
- ▶ Strengthening of Profitability

Financial Strategy

- ▶ Capital Investment Plan
- ▶ Shareholder Return Policy
- ▶ Cash Allocation

Sustainability Management

- ▶ Creating a Comfortable and Rewarding Work Environment
- ▶ Business Activities with Consideration for the Global Environment
- ▶ Enhanced IR and Non-Financial Information Disclosure

3. Growth Strategy

3. Growth Strategy

■ Store Opening Strategy

Expand scale by combining organic growth through self-directed store openings with M&A

Aim for a high growth rate and top-line expansion

▶ **Deepen dominance in existing areas**

- Continue promoting store openings in dominant areas
- Further strengthen competitiveness at the individual store level

...Enhance food selection including fresh produce, scrap & build, Cremo, collaboration with medical institutions, etc.

▶ **Expand into new commercial areas**

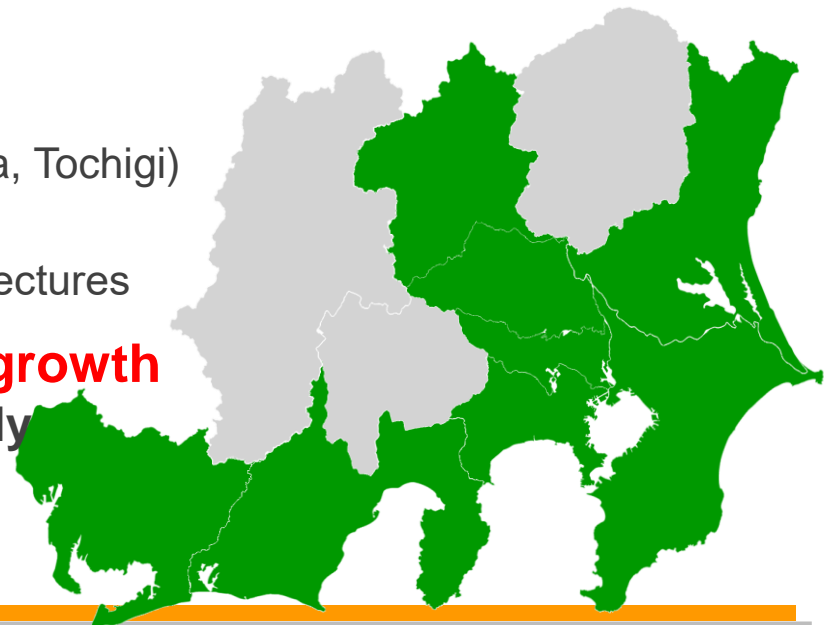
- Open stores in northern Kanto (Ibaraki, Gunma, Tochigi) and Koshinetsu (Yamanashi, Nagano)

...Expand the store network into five neighboring prefectures

▶ **Proactively pursue M&A for sustainable growth**

- Establish a dedicated M&A team to act swiftly

...Targeting drugstores, supermarkets, prescription drug stores, and other industries



3. Growth Strategy

■ Prescription Business Strategy

Promote dominant expansion and increased market share in the prescription drug stores business, and advance comprehensive healthcare support rooted in local communities.

- ▶ **Deepen dominance in the prescription drug stores business**
 - Increase prescription drug store market share in the Tokyo metropolitan area
 - Strengthen family pharmacy functions, including home care services
- ▶ **Take on the challenge of new business formats**
 - Develop prescription-focused small-format stores near train stations and clinic malls
 - Develop facility-based home care pharmacies with future outsourcing in mind
- ▶ **Promote medical DX and improve productivity**
 - Pilot introduction of AI-powered electronic medication histories, unmanned reception terminals, and dispensing equipment, etc.
... Aim to increase the number of prescriptions filled per pharmacist

3. Growth Strategy

■ Strengthening Profitability

Improve gross profit mix by reviewing product assortment and merchandising to match customer needs, and maintain an ordinary profit margin above 5.0% through thorough low-cost operations.

▶ Review of product assortment and merchandising based on customer needs

- Deepen response to increasingly diverse local needs through initiatives such as enhanced food offerings, Cremo, in-store pharmacies, and medical collaboration
- Improve profit margins by reviewing and optimizing store formats and merchandising

▶ Rigorous Low-Cost Operations

- Achieve low-cost operations through appropriate staffing and workflow improvements
- Enhance productivity through the introduction of equipment and systems such as semi-self checkouts and prescription-related devices

▶ Improve productivity across the supply chain

- Improve logistics efficiency through establishment and reallocation of distribution centers

4. Financial Strategy

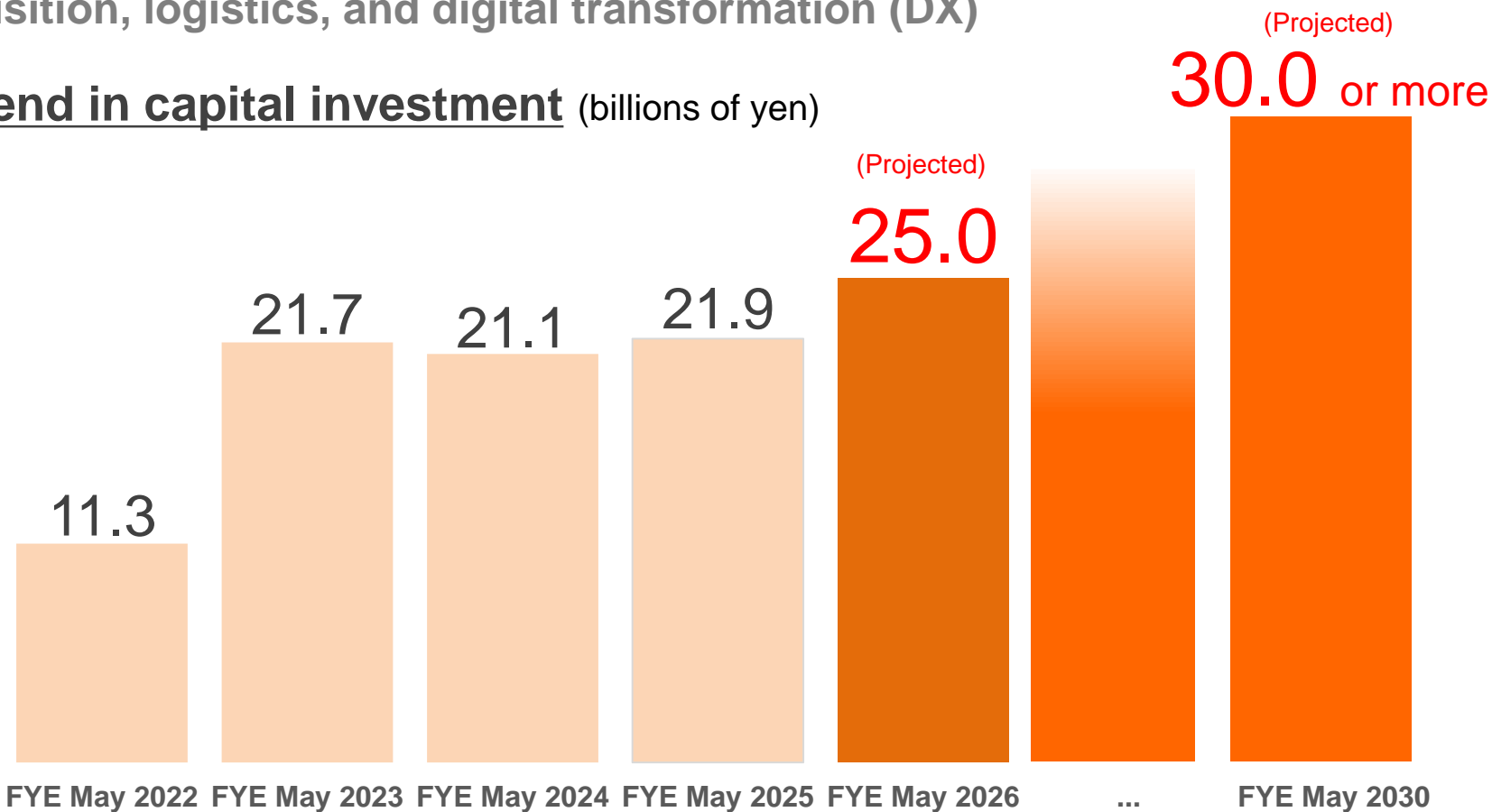
4. Financial Strategy

■ Capital Investment Plan

To support sustainable growth, we will continue to actively invest in capital expenditures of over 20–30 billion yen.

... Including new store openings, renovations of existing stores, M&A, land acquisition, logistics, and digital transformation (DX)

Trend in capital investment (billions of yen)

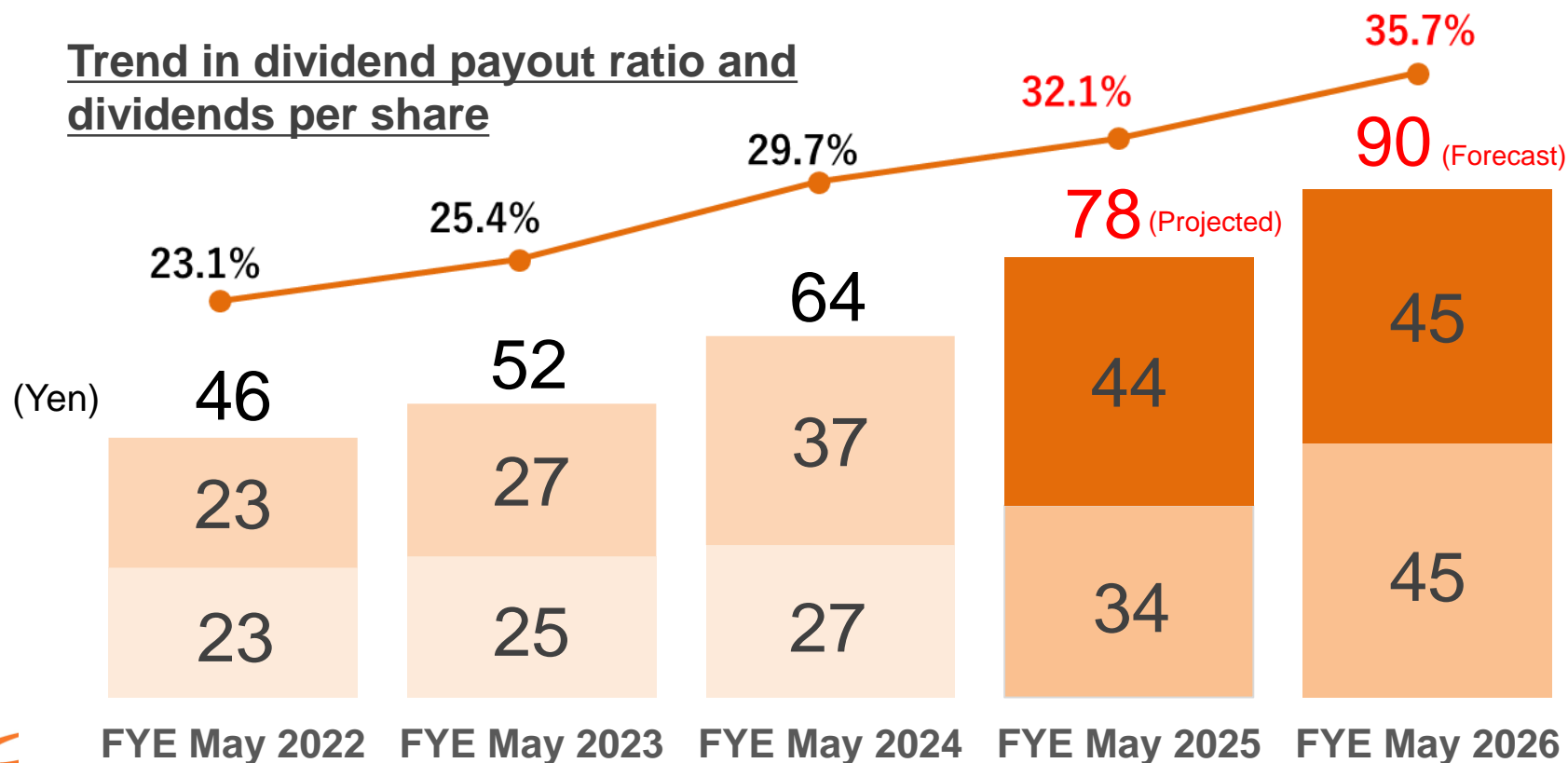


4. Financial Strategy

■ Shareholder Return Policy

We will go beyond our previous approach of stable and continuous dividend increases to further enhance and strengthen shareholder returns.

... For FYE May 2025, we plan to **increase the dividend by 14 yen** from the initial plan of 68 yen, resulting in a 10 yen upward revision



4. Financial Strategy

■ Cash Allocation

Operating cash flow and a portion of cash and deposits on hand will be allocated in a balanced manner to both aggressive growth investment and improved shareholder returns.

Cumulative cash allocation (FYE May 2026–FYE May 2030)

Cash and Deposits on Hand + Cash In

Cash Out

Operating cash flow
Approx. 140.0 billion yen
or more

Cash and deposits
on hand
Approx. 37.0 billion yen



Growth investment
Approx. 120.0 billion yen
or more

Shareholder returns
Approx. 32.0 billion yen
or more

Cash on hand
Approx. 25.0 billion yen
or more

Aggressive growth investment

- ▶ Continue proactive investment of over 20–30 billion yen per year
Consider the use of debt financing as needed
- Store openings and renovations of existing stores
- M&A
- Land acquisition
- Logistics / DX / Human capital, etc.

Improved shareholder returns

- ▶ Go beyond previous approach of stable and continuous dividend increases to further enhance and strengthen shareholder returns

5. Sustainability Management

5. Sustainability Management

■ Creating a comfortable and rewarding work environment

- ▶ **Performance-linked bonus system** (introduced in FYE May 2024)
... A portion of profits is returned to employees to improve motivation
- ▶ **Review of dress code and appearance standards**
... Relaxation of certain rules to foster a more comfortable and empowering work environment
- ▶ **Measures to address abusive customer behavior**
... Formulate an official policy and regular internal training sessions
- ▶ **Improved ratio of female managers, including store managers and pharmacy managers**
... FYE May 2024: 19.3% → FYE May 2025: **20.2%**



Indicators for promoting women's advancement

Indicator	Fiscal year of target achievement	Target value	Result
Ratio of women appointed as new store and pharmacy managers	FY2030	50% or higher	37.3%
Ratio of female managers (incl. store and pharmacy managers)	FY2030	30% or higher	20.2%

5. Sustainability Management

■ Environmentally Conscious Business Activities

▶ Ongoing ISO 14001* certification

* ISO 14001: An international standard for environmental management systems

... Certified at all stores continuously since 2001

- Waste reduction (eco-cap campaign, cardboard recycling)
- Efficient conditioning use of resources (reduction of plastic bags, installation of energy-saving air and lighting)
- Consideration for surrounding communities (reducing noise and exhaust emissions in parking areas)

▶ Initiatives to reduce CO₂ emissions

... Transition to energy-efficient equipment and systems, installation of solar power systems, and improvements in logistics efficiency, etc.



■ Enhanced IR and Non-Financial Information Disclosure

▶ Expansion of IR tools

... The first integrated report is scheduled for release in fall 2025

... Use of sponsored research reports (Shared Research Reports)

▶ Enhance non-financial information disclosure

... ESG score of 3.1 from ESG rating agency FTSE Russell

... Newly selected as a constituent of the FTSE Blossom Japan Sector Relative Index



FTSE Blossom
Japan Sector
Relative Index