



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 Nine Months Ended February 29, 2024 (Japanese GAAP)

April 8, 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: April 12, 2024

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 Third Quarter Results for Fiscal Year Ending May 31, 2024 (June 1, 2023 to February 29, 2024)

(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	%
Nine months ended February 29, 2024	313,119	10.9	15,588	11.2	16,063	11.8	10,712	10.0
Nine months ended February 28, 2023	282,365	8.3	14,021	5.9	14,366	5.6	9,734	5.5

(Note) Comprehensive income: Nine months ended February 29, 2024: 10,710 million yen (9.7%)
Nine months ended February 28, 2023: 9,766 million yen (5.8%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended February 29, 2024	169.24	169.24
Nine months ended February 28, 2023	153.98	—

(2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of February 29, 2024	203,128	126,058	62.0
As of May 31, 2023	194,941	116,409	59.7

(Reference) Net assets: As of February 29, 2024: 126,036 million yen
As of May 31, 2023: 116,409 million yen

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)				37.00	64.00

(Note) Revisions to most recently announced dividend forecast: Yes

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

(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
Full-year	423,550	11.2	20,980	10.9	21,600	11.2	13,950	7.9	218.10

(Note) Revisions to most recently announced financial results forecast: Yes

Notes

(1) Significant changes of subsidiaries in nine months ended February 29, 2024 (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:

Nine months ended February 29, 2024	66,819,342 shares	Fiscal year ended May 31, 2023	66,819,342 shares
Nine months ended February 29, 2024	2,858,557 shares	Fiscal year ended May 31, 2023	3,600,857 shares
Nine months ended February 29, 2024	63,298,393 shares	Nine months ended February 28, 2023	63,218,536 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	3
(3) Overview of Consolidated Financial Results Forecast and Future Expectations	3
2. Consolidated Financial Statements and Notes	4
(1) Consolidated Balance Sheet	4
(2) Consolidated Statements of Income and Comprehensive Income	6
Consolidated Statement of Income	6
First nine months of the fiscal year ending May 31, 2024	6
Consolidated Statement of Comprehensive Income	7
First nine months of the fiscal year ending May 31, 2024	7
(3) Notes to Consolidated Financial Statements	8
Going concern assumption	8
Notes in case of significant changes in shareholders' equity	8
Application of specific accounting treatment in the preparation of consolidated financial statements	8
Changes to accounting policies	8
Changes in accounting estimates	8
3. Supplemental Information	9
(1) Production, Orders Received, and Sales	9

1. Qualitative Information Related to Consolidated Financial Results

(1) Overview of Operating Results

During the first nine months of the fiscal year ending May 31, 2024 (June 1, 2023 to February 29, 2024), the Japanese economy continued its return to normal in line with the reclassification of COVID-19 and the domestic economy showed a gradual recovering trend. However, the economic outlook remains uncertain. This is due notably to a fall in consumer sentiment as real wages stagnate while the cost of living continues to rise due to soaring resource prices.

In the drug store industry, while demand did increase for cosmetics due to the easing of restrictions on movement and for medical and health products due to the spread of colds and influenza, business conditions for the Group became increasingly difficult due to a range of factors. Demand for products to contain the spread of the coronavirus fell, households increasingly sought to save money owing to the rising cost of living, while revised medical fees and drug prices resulted in lower prescription unit prices. These impacts were compounded by competitors from other industries opening new stores, intensification of price competition, and restructuring within the industry involving a number of major operators.

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

The drug store business faced a further strengthening of the tendency among households to seek money savings and consume selectively. This was due mainly to the continuing rise in the cost of living, and particularly of food products, driven by soaring resource prices. In response, the Group continued its everyday low prices (EDLP) strategy offering affordable prices at all times, thus acting as a lifeline to support 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 nine 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 strategy, 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.

During the period, we opened 28 new drug stores. On the other hand, we closed four stores, one for renovation works, two due to expiration of contracts, and one from the standpoint of improving management efficiency. New prescription drug store openings consisted of 30 new in-store prescription drug stores and one dedicated prescription drug store in a medical mall.

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 Group stores as of February 29, 2024, was as follows: 741 drug stores, two supermarkets, and three combination drug store/fresh produce stores. The total number of prescription drug stores was 401, consisting of 38 dedicated prescription drug stores and 363 in-store prescription drug stores. The Group also has 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 nine months of the fiscal year ending May 31, 2024 were as follows: Net sales came in at 313,119 million yen (up 10.9% year on year), operating profit was 15,588 million yen (up 11.2%), ordinary profit was 16,063 million yen (up 11.8%), and profit attributable to owners of parent was 10,712 million yen (up 10.0%).

(2) Overview of Financial Position

Total assets as of February 29, 2024 were 203,128 million yen, up 8,186 million yen from the end of the previous fiscal year. The main factors were a 515 million yen increase in merchandise and an 11,746 million yen increase in non-current assets as well as a 3,732 million yen decrease in cash and deposits.

Total liabilities as of February 29, 2024 were 77,070 million yen, down 1,462 million yen from the end of the previous fiscal year. The main factors were current liabilities items: a 1,392 million yen increase in accrued bonuses and decreases of 2,441 million yen in “Other” and 1,103 million yen in accrued income taxes.

Total net assets as of February 29, 2024 were 126,058 million yen, up 9,648 million yen from the end of the previous fiscal year. The main factors were a 3,413 million yen decrease due to dividends paid, decreases of 1,425 million yen in capital surplus and 905 million yen in treasury shares, and the recording of 10,712 million yen in profit attributable to owners of parent.

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

The forecasts for the fiscal year ending May 31, 2024 announced on July 10, 2023 have been revised in light of trends in consolidated operating results in the first nine months of the fiscal year.

For details, please refer to the “Notice concerning Revision of Full-Year Financial Forecast and Dividend Forecast (Dividend Increase)” published today (April 8, 2024).

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2022 (As of May 31, 2023)	3Q of FY2023 (As of February 29, 2024)
Assets		
Current assets		
Cash and deposits	37,526	33,793
Accounts receivable - trade	13,312	13,960
Merchandise	38,497	39,012
Other	10,295	9,358
Allowance for doubtful accounts	—	(54)
Total current assets	99,631	96,071
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	27,762	35,104
Land	25,211	26,777
Other, net	4,858	8,205
Total property, plant and equipment	57,832	70,088
Intangible fixed assets		
Goodwill	473	392
Other	1,055	823
Total intangible assets	1,529	1,216
Investments and other assets		
Long-term loans receivable	9,654	9,767
Leasehold and guarantee deposits	11,576	11,760
Other	14,759	14,264
Allowance for doubtful accounts	(40)	(39)
Total investments and other assets	35,948	35,752
Total non-current assets	95,310	107,057
Total assets	194,941	203,128
Liabilities		
Current liabilities		
Accounts payable - trade	50,485	50,724
Accrued income taxes	3,386	2,282
Accrued bonuses	378	1,771
Provision for bonuses for directors (and other officers)	145	117
Provision for point card certificates	171	160
Asset retirement obligations	89	11
Provision for loss on store closings	8	21
Other	15,487	13,045
Total current liabilities	70,152	68,136
Non-current liabilities		
Net defined benefit liability	3,310	3,541
Asset retirement obligations	3,579	3,825
Provision for loss on subleasing	30	25
Other	1,459	1,540
Total non-current liabilities	8,379	8,933
Total liabilities	78,532	77,070

(Millions of yen)

	FY2022 (As of May 31, 2023)	3Q of FY2023 (As of February 29, 2024)
Net assets		
Equity capital		
Share capital	1,000	1,000
Capital surplus	934	2,359
Retained earnings	118,741	126,040
Treasury shares	(4,393)	(3,488)
Total shareholders' equity	116,282	125,912
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39	42
Remeasurements of defined benefit plans	87	81
Total accumulated other comprehensive income	126	124
Share options	—	21
Total net assets	116,409	126,058
Liabilities and net assets	194,941	203,128

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

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

(Millions of yen)

	3Q of FY2022 (From June 1, 2022 to February 28, 2023)	3Q of FY2023 (From June 1, 2023 to February 29, 2024)
Net sales	282,365	313,119
Cost of sales	205,684	231,232
Gross profit	76,681	81,886
Selling, general and administrative expenses		
Provision for point card certificates	172	160
Salaries and allowances	25,449	26,875
Provision for bonuses	1,601	1,702
Provision for directors' bonuses	104	113
Retirement benefit expenses	615	577
Depreciation and amortization	3,013	3,477
Land/office rent	12,413	12,927
Other	19,289	20,463
Total selling, general and administrative expenses	62,660	66,298
Operating profit	14,021	15,588
Non-operating profit		
Interest income	66	64
Dividend income	1	1
Gain on receipt of donated non-current assets	25	18
Rent income	244	260
Subsidy income	47	149
Other	116	131
Total non-operating income	501	624
Non-operating expenses		
Compensation expenses	2	4
Rental expenses	124	122
Other	29	21
Total non-operating expenses	156	148
Ordinary profit	14,366	16,063
Subsidy income	9	16
Other	—	1
Total extraordinary income	9	17
Extraordinary losses		
Loss on sale of non-current assets	—	26
Loss on retirement of non-current assets	10	165
Loss on store closings	3	—
Loss on tax purpose reduction entry of non-current assets	9	16
Provision for loss on store closings	—	21
Total extraordinary losses	22	229
Profit before income taxes	14,352	15,851
Income taxes	4,618	5,138
Profit	9,734	10,712
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	9,734	10,712

Consolidated Statement of Comprehensive Income

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

(Millions of yen)

	3Q of FY2022 (From June 1, 2022 to February 28, 2023)	3Q of FY2023 (From June 1, 2023 to February 29, 2024)
Profit	9,734	10,712
Other comprehensive income		
Valuation difference on available-for-sale securities	9	3
Remeasurements of defined benefit plans, net of tax	22	(6)
Total other comprehensive income	32	(2)
Comprehensive income	9,766	10,710
Comprehensive income attributable to:		
Owners of parent	9,766	10,710
Non-controlling interests	—	—

(3) Notes to Consolidated Financial Statements

Going concern assumption

Not applicable

Notes in case of significant changes in shareholders' equity

Following the exercise of first-time share options issued on November 22, 2023, the Group's capital surplus in the first nine months of the fiscal year ending May 31, 2024 increased by 1,425 million yen and its treasury shares decreased by 905 million yen. As a result, the capital surplus as of February 29, 2024, stood at 2,359 million yen while treasury shares showed a negative figure of 3,488 million yen.

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

Product division	3Q of FY2023 (From June 1, 2023 to February 29, 2024)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	83,259	106.8
OTC	46,078	99.7
Prescription drug stores	37,181	117.2
Cosmetics	35,638	107.6
Food products	130,211	117.0
Daily products	46,102	107.9
Other	14,641	109.3
Subtotal	309,854	111.3
Supermarkets	1,539	68.0
Nursing Care		
Paid assisted living facilities	520	99.5
Adult day care services	1,088	106.4
Subtotal	1,608	104.0
Revenue from contracts with customers	313,002	110.9
Other revenue (Notes)	117	139.4
Total	313,119	110.9

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

	3Q of FY2022 (From June 1, 2022 to February 28, 2023)		3Q of FY2023 (From June 1, 2023 to February 29, 2024)	
	Amount (millions of yen)	Share (%)	Amount (millions of yen)	Share (%)
Kanagawa	175,264	62.1	191,945	61.3
Tokyo	40,985	14.5	44,409	14.2
Shizuoka	31,027	11.0	34,194	10.9
Chiba	20,689	7.3	26,657	8.5
Other	14,398	5.1	15,912	5.1
Total	282,365	100.0	313,119	100.0

(2) Purchase results

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

Product division	3Q of FY2023 (From June 1, 2023 to February 29, 2024)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	49,211	108.8
OTC	26,250	98.6
Prescription drug stores	22,960	123.3
Cosmetics	22,015	105.1
Food products	113,472	118.0
Daily products	32,954	109.8
Other	11,441	109.3
Subtotal	229,095	113.0
Supermarkets	1,147	67.6
Nursing Care		
Paid assisted living facilities	—	—
Adult day care services	—	—
Subtotal	—	—
Purchases for revenue from contracts with customers	230,243	112.6
Other revenue	—	—
Total	230,243	112.6