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Consolidated Financial Results for Nine Months Ended February 28, 2025 (Japanese GAAP)

April 7, 2025

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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Scheduled date of start of dividend payment: —

Supplementary materials for the financial results: None

Financial results briefing sessions: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Third Quarter Results for Fiscal Year Ending May 31, 2025 (June 1, 2024 to February 28, 2025)

(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 28, 2025	339,469	8.4	16,431	5.4	16,944	5.5	11,185	4.4
Nine months ended February 29, 2024	313,119	10.9	15,588	11.2	16,063	11.8	10,712	10.0

(Note) Comprehensive income: Nine months ended February 28, 2025: ¥11,130 million (3.9%)

Nine months ended February 29, 2024: ¥10,710 million (9.7%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended February 28, 2025	173.16	—
Nine months ended February 29, 2024	169.24	169.24

(2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of February 28, 2025	222,195	137,983	62.1
As of May 31, 2024	216,481	130,243	60.2

(Reference) Net assets: As of February 28, 2025: ¥137,983 million

As of May 31, 2024: ¥130,224 million

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, 2024	—	27.00	—	37.00	64.00
Fiscal year ending May 31, 2025	—	34.00	—		
Fiscal year ending May 31, 2025 (forecast)				34.00	68.00

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

3. Consolidated Financial Forecast (From June 1, 2024 to May 31, 2025)

(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	457,600	8.4	22,000	8.8	22,400	7.3	14,400	5.2	222.90

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

Notes

(1) Significant changes of subsidiaries in nine months ended February 28, 2025: None

Newly consolidated: — companies (company name(s)); Deconsolidated: — companies (company name(s))

(2) Application of specific accounting treatment in the preparation of 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: Yes

(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 28, 2025	66,819,342 shares	Fiscal year ended May 31, 2024	66,819,342 shares
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(ii) Treasury shares at period-end:

Nine months ended February 28, 2025	2,217,058 shares	Fiscal year ended May 31, 2024	2,576,458 shares
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(iii) Average issued shares during period:

Nine months ended February 28, 2025	64,593,443 shares	Nine months ended February 29, 2024	63,298,393 shares
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Review of the attached quarterly consolidated financial statements by a certified public accountant or audit firm: None

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 nine months of the fiscal year ending May 31, 2025 (June 1, 2024 to February 28, 2025), the Japanese economy showed a gradual recovery trend, supported by improvements in employment and income conditions, as well as an increase in the number of foreign visitors to Japan, signaling progress in the normalization of economic and social activities. However, uncertainties about the future persist due to concerns over a potential slowdown in personal consumption caused by ongoing price increases.

In the drug store industry, the environment surrounding the Company has become increasingly challenging due to the intensified competition from the opening of stores by competitors across different sectors and business models, heightened price competition, and industry consolidation among major players.

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 caused by the ongoing rise in the cost of living. In response, we 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.

During the first nine months of the fiscal year ending May 31, 2025, the continued promotion of our EDLP strategy and an increase in the number of in-store prescription drug stores led to a favorable performance, with existing store sales remaining strong in both the merchandise sales and prescription drug stores divisions. On the cost management front, we worked to control labor hours on-site in an effort to improve productivity, while also actively promoting environmentally responsible management by installing solar panels on store rooftops and improving delivery efficiency through the establishment and reorganization of logistics centers.

During the period, we opened 29 new drug stores. On the other hand, we closed five stores, one for renovation works, two due to expiration of contracts, and two from the standpoint of improving management efficiency. In terms of prescription drug stores, we opened 26 in-store prescription drug stores.

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 28, 2025, was as follows: 776 drug stores, two supermarkets, and four combination drug store/fresh produce stores. The total number of prescription drug stores was 444, consisting of 37 dedicated prescription drug stores and 407 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, 2025 were as follows: Net sales came in at 339,469 million yen (up 8.4% year on year), operating profit was 16,431 million yen (up 5.4%), ordinary profit was 16,944 million yen (up 5.5%), and profit attributable to owners of parent was 11,185 million yen (up 4.4%).

(2) Overview of Financial Position

Total assets as of February 28, 2025 were 222,195 million yen, up 5,713 million yen from the end of the previous fiscal year. The main factors were a 754 million yen increase in merchandise and a 13,942 million yen increase in non-current assets as well as a 6,263 million yen decrease in cash and deposits.

Total liabilities as of February 28, 2025 were 84,212 million yen, down 2,025 million yen from the end of the previous fiscal year. The main factors were current liabilities items: a 1,740 million yen increase in accrued bonuses, and decreases of 1,589 million yen in accounts payable – trade, 2,244 million yen in “Other,” and 670 million yen in accrued income taxes.

Total net assets as of February 28, 2025 were 137,983 million yen, up 7,739 million yen from the end of the previous fiscal year. The main factors were a 4,573 million yen decrease due to dividends paid, an increase of 763 million yen in capital surplus due to exercise of share options, a decrease of 438 million yen in treasury shares, and the recording of 11,185 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 forecast for the fiscal year ending May 31, 2025 announced on July 8, 2024.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2023 (As of May 31, 2024)	3Q of FY2024 (As of February 28, 2025)
Assets		
Current assets		
Cash and deposits	38,212	31,949
Accounts receivable - trade	15,431	15,170
Merchandise	42,015	42,770
Other	11,531	9,071
Total current assets	107,191	98,962
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,493	44,766
Land	27,274	33,034
Other, net	8,412	6,216
Total property, plant and equipment	72,180	84,016
Intangible fixed assets		
Goodwill	372	309
Other	770	688
Total intangible assets	1,142	998
Investments and other assets		
Long-term loans receivable	10,024	10,509
Leasehold and guarantee deposits	11,939	12,199
Other	14,063	15,570
Allowance for doubtful accounts	(60)	(61)
Total investments and other assets	35,967	38,218
Total non-current assets	109,290	123,232
Total assets	216,481	222,195
Liabilities		
Current liabilities		
Accounts payable - trade	56,357	54,768
Accrued income taxes	3,444	2,773
Accrued bonuses	387	2,128
Provision for bonuses for directors (and other officers)	157	112
Provision for point card certificates	160	180
Asset retirement obligations	6	4
Provision for loss on store closings	36	—
Other	16,974	14,729
Total current liabilities	77,524	74,698
Non-current liabilities		
Net defined benefit liability	3,234	3,521
Asset retirement obligations	3,925	4,066
Provision for loss on subleasing	24	19
Provision for losses on cancellation	—	407
Other	1,529	1,498
Total non-current liabilities	8,714	9,514
Total liabilities	86,238	84,212

(Millions of yen)

	FY2023 (As of May 31, 2024)	3Q of FY2024 (As of February 28, 2025)
Net assets		
Equity capital		
Share capital	1,000	1,000
Capital surplus	2,945	3,709
Retained earnings	129,019	135,631
Treasury shares	(3,144)	(2,705)
Total shareholders' equity	129,821	137,634
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39	38
Remeasurements of defined benefit plans	363	309
Total accumulated other comprehensive income	403	348
Share options	18	—
Total net assets	130,243	137,983
Liabilities and net assets	216,481	222,195

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

First nine months of the fiscal year ending May 31, 2025

(Millions of yen)

	3Q of FY2023 (From June 1, 2023 to February 29, 2024)	3Q of FY2024 (From June 1, 2024 to February 28, 2025)
Net sales	313,119	339,469
Cost of sales	231,232	251,375
Gross profit	81,886	88,094
Selling, general and administrative expenses		
Provision for point card certificates	160	180
Salaries and allowances	26,875	28,784
Provision for bonuses	1,702	2,128
Provision for directors' bonuses	113	109
Retirement benefit expenses	577	522
Depreciation and amortization	3,477	3,987
Land/office rent	12,927	13,653
Other	20,463	22,297
Total selling, general and administrative expenses	66,298	71,663
Operating profit	15,588	16,431
Non-operating profit		
Interest income	64	98
Dividend income	1	1
Rent income	260	296
Subsidy income	149	—
Other	149	265
Total non-operating income	624	661
Non-operating expenses		
Compensation expenses	4	—
Rental expenses	122	145
Other	21	4
Total non-operating expenses	148	149
Ordinary profit	16,063	16,944
Extraordinary profit		
Gain on sale of investment securities	1	1
Subsidy income	16	112
Other	0	0
Total extraordinary income	17	113
Extraordinary losses		
Loss on sale of non-current assets	26	2
Loss on retirement of non-current assets	165	15
Loss on tax purpose reduction entry of non-current assets	16	112
Provision for loss on store closings	21	—
Provision for losses on cancellation losses	—	407
Other	—	30
Total extraordinary losses	229	568
Profit before income taxes	15,851	16,489
Income taxes	5,138	5,304
Profit	10,712	11,185
Profit attributable to non-controlling interests	—	—
Profit attributable to owners of parent	10,712	11,185

Consolidated Statement of Comprehensive Income

First nine months of the fiscal year ending May 31, 2025

(Millions of yen)

	3Q of FY2023 (From June 1, 2023 to February 29, 2024)	3Q of FY2024 (From June 1, 2024 to February 28, 2025)
Profit	10,712	11,185
Other comprehensive income		
Valuation difference on available-for-sale securities	3	(0)
Remeasurements of defined benefit plans, net of tax	(6)	(54)
Total other comprehensive income	(2)	(54)
Comprehensive income	10,710	11,130
Comprehensive income attributable to:		
Owners of parent	10,710	11,130
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 disposal of treasury shares through the exercise of 1st and 2nd series share options issued on November 22, 2023, the Group's capital surplus in the first nine months of the fiscal year ending May 31, 2025 increased by 763 million yen and its treasury shares decreased by 438 million yen. As a result, the capital surplus as of February 28, 2025, stood at 3,709 million yen while treasury shares showed a negative figure of 2,705 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

Application of accounting standard for current income taxes, etc.

The Accounting Standard for Current Income Taxes, etc. (Accounting Standard No. 27, issued on October 28, 2022) has been applied from the beginning of the first quarter of the fiscal year ending May 31, 2025.

There is no impact on the consolidated financial statements for the third quarter as a result of this application.

Changes in accounting estimates

Not applicable

Segment information

First nine months of the fiscal year ended May 31, 2024 (From June 1, 2023 to February 29, 2024)

Since the Group has a high proportion of drug store business which is considered to be of little importance as disclosed information, segment information has been omitted.

First nine months of the fiscal year ending May 31, 2025 (From June 1, 2024 to February 28, 2025)

Since the Group has a high proportion of drug store business which is considered to be of little importance as disclosed information, segment information has been omitted.

Notes on consolidated statements of cash flows

The consolidated quarterly statement of cash flows for the first nine months of the fiscal year ending May 31, 2025 has not been prepared. However, depreciation for the first nine months of the fiscal year ending May 31, 2025 (including depreciation and amortization of intangible assets, excluding goodwill) and the amortization of goodwill are as follows.

	(Millions of yen)	
	3Q of FY2023 (From June 1, 2023 to February 29, 2024)	3Q of FY2024 (From June 1, 2024 to February 28, 2025)
Depreciation and amortization	3,508	4,057
Amortization of goodwill	80	62

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, 2025 were as follows:

Product division	3Q of FY2024 (From June 1, 2024 to February 28, 2025)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	88,378	106.1
OTC	46,495	100.9
Prescription drug stores	41,883	112.6
Cosmetics	37,554	105.4
Food products	144,505	111.0
Daily products	49,689	107.8
Other	15,648	106.9
Subtotal	335,776	108.4
Supermarkets	1,870	121.4
Nursing Care		
Paid assisted living facilities	545	104.8
Adult day care services	1,125	103.4
Subtotal	1,670	103.8
Revenue from contracts with customers	339,317	108.4
Other revenue (Note)	152	130.1
Total	339,469	108.4

(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, 2025 were as follows:

	3Q of FY2023 (From June 1, 2023 to February 29, 2024)		3Q of FY2024 (From June 1, 2024 to February 28, 2025)	
	Amount (millions of yen)	Share (%)	Amount (millions of yen)	Share (%)
Kanagawa	191,945	61.3	206,431	60.8
Tokyo	44,409	14.2	46,904	13.8
Shizuoka	34,194	10.9	36,383	10.7
Chiba	26,657	8.5	31,395	9.2
Other	15,912	5.1	18,354	5.4
Total	313,119	100.0	339,469	100.0

(2) Purchase results

Purchase results by product division during the first nine months of the fiscal year ending May 31, 2025 were as follows:

Product division	3Q of FY2024 (From June 1, 2024 to February 28, 2025)	
	Amount (millions of yen)	YoY change (%)
Drug Stores		
Medical and health products	52,438	106.6
OTC	26,614	101.4
Prescription drug stores	25,823	112.5
Cosmetics	23,383	106.2
Food products	125,865	110.9
Daily products	35,292	107.1
Other	12,153	106.2
Subtotal	249,133	108.7
Supermarkets	1,441	125.5
Nursing Care		
Paid assisted living facilities	—	—
Adult day care services	—	—
Subtotal	—	—
Purchases for revenue from contracts with customers	250,574	108.8
Other revenue	—	—
Total	250,574	108.8