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Notice Regarding the Publication of Integrated Report 2025

We are pleased to announce the publication of our inaugural Integrated Report 2025.

The report has been prepared to help our stakeholders gain a deeper understanding of the CREATE SD Group's business strategies based on its management philosophy and corporate culture, the strengths of its business model, the value creation process, the Medium-Term Management Plan, and sustainability initiatives aimed at achieving sustainable growth. It is also intended to serve as a platform for dialogue with our stakeholders.

Going forward, we will continue to reflect stakeholders' feedback and strive to enhance the quality of our integrated reporting and IR activities, with the goal of further improving our corporate value.



Integrated Report 2025 is available for download in PDF format on our corporate website:
<https://www.createsdhd.co.jp/English/ir/tqid/159/Default.aspx>

CREATE SD HOLDINGS CO., LTD.

INTEGRATED REPORT 2025



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<https://www.createsdhd.co.jp/English/English2/tabcid/133/Default.aspx>

We are always close to our customers
(in other words, patients) and value
the interactions we make.

Aiming to become a comprehensive
healthcare support company rooted
in local communities



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Editorial Policy

Integrated Report 2025 has been prepared to help our stakeholders gain a deeper understanding of the CREATE SD Group's business strategies based on its Management Philosophy and corporate culture, the strengths of its business model, the value creation process, the Medium-Term Management Plan, and sustainability initiatives aimed at achieving sustainable growth. It is also intended to serve as a platform for dialogue with our stakeholders. In compiling this report, we have aimed for a concise and easy-to-understand structure. Additional information not included in this report is available on our corporate website.

Reporting Period

June 1, 2024–May 31, 2025

Some activity reports include information from June 2025 onward.

Publication Date

December 2025

Scope of the Report

CREATE SD HOLDINGS CO., LTD. and its affiliated companies

Cautionary Statement Regarding Forward-Looking Statements

The statements contained in Integrated Report 2025 are based on information available to the Company at the time of publication and reflect the Company's judgments. These statements involve risks and uncertainties. Actual results may differ materially from the forecasts due to various factors, including economic trends, personal consumption, market demand, and changes in tax systems or other regulations.

About Our Mascot Character "Hippo-chan"

Hippo-chan, the mascot character of CREATE SD HOLDINGS, is loved by many.

The name comes from the word "hippopotamus."

Soon after the Company's founding, while the founder was managing the store and caring for his child, the child often read a picture book featuring a hippopotamus who "sold dreams." Inspired by this story and the founder's wish to "continue selling dreams to our customers," the hippopotamus became the motif for the Company's mascot character.



Management Philosophy

We are always close to our customers (in other words, patients) and value the interactions we make.

Some things must change with the times, while others must never be changed.

One of the things that has remained unchanged since our founding is our Management Philosophy. Guided by these principles, we aim to continue contributing to society as a company that supports the health and daily lives of local communities through our drug store, prescription drug store, and nursing care businesses.

CREATE 处方せん受け



Message from the Presidents

Nurturing Our Own Form of Evolution Together with Customers and Communities

Becoming a comprehensive healthcare support company that stays close to people and communities, guided by our corporate culture



Taizo Hirose

Representative Director and President
CREATE SD HOLDINGS CO., LTD.

Yukihiko Takiya

Representative Director and President
CREATE SD CO., LTD.

Message on the Publication of the Integrated Report

Hirose We are pleased to present the CREATE SD Group's first integrated report. As a listed company, we have continuously disclosed our financial information, but we have had few opportunities to communicate the qualitative aspects of our business—what we value and the beliefs that underpin how we operate.

For the past 50 years since our founding, we have continued to grow together with our local communities while cherishing a culture of always putting ourselves in the customer's shoes and asking, "What is best for our customers?" This growth is not something that can be captured merely by numbers such as the number of stores or sales—it has been supported by the accumulation of actions taken every day in the field.

Through this integrated report, we hope to share this unique identity with all our stakeholders and use it as a foundation for dialogue. In an era of rapid change, I believe that it is precisely a company's underlying culture and attitude that foster long-term trust.

Through this report, we will carefully convey the principles that guide the CREATE SD Group and the future we aspire to create.

Takiya I began my career on the shop floor, and I still visit stores across different regions regularly. Each time, I am reminded that "CREATE SD's culture lives in the field itself." Our store staff, *partner-san* and *part-timer-san**, and pharmacists all embody the spirit of putting customers first in their own ways—and that, I believe, is our greatest strength.

This culture was not built through top-down instruction. Each individual in the field has always asked themselves, "What can I do right now for the customer in front of me?" and acted on it. It is the accumulation of such actions that has taken root as our culture.

This shared mindset has been handed down since our founding, fostering trust with our communities and serving as a source of pride for every employee.

In this report, we would like to share the culture we hold dear, along with real stories from our workplaces. As we carry this culture forward to the next generation, we are determined to contribute to building better local communities—and that commitment is embodied in this report.

* At CREATE SD HOLDINGS, we refer to part-time and hourly employees as *partner-san* and *part-timer-san*, respectively.

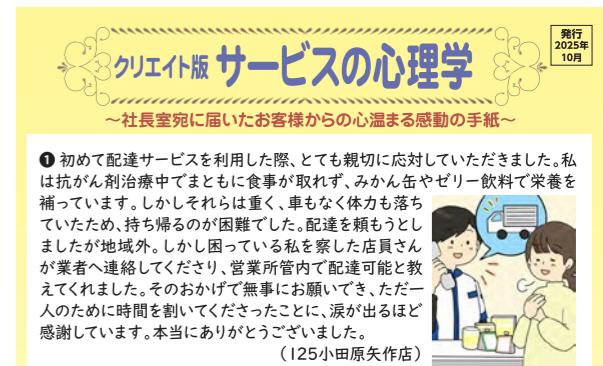
A Culture Where Customers Come First —The DNA of CREATE SD

Takiya If I were to express our corporate culture in a single phrase, it would be our commitment to "always putting customers first." This attitude is supported by a deep-rooted, hands-on approach—an unwavering focus on the field and on daily practice. In every task we undertake, our guiding question is always, "Is this good for our customers?" This mindset has been passed down unbroken since our founding and is closely tied to our Company motto of "humility."

This culture is reflected in the small, everyday actions that take place in our stores. For example, when a patient ran out of medicine during the Golden Week holidays, a staff member contacted a local hospital and made a reservation on the patient's behalf. When a customer accidentally dropped their keys into a gutter, several staff members worked together to retrieve them. And when a child was suddenly sick and collapsed in a store, the pharmacy and drug store staff worked together to clean up and provide emergency assistance. Each of these episodes was later shared with headquarters through letters of thanks from customers and patients.

Such actions are not written in any manual—they arise naturally because every employee has internalized the desire to do whatever they can right now for the customer in front of them. Underlying this is a corporate climate that values genuine kindness and courtesy in every interaction. The naturally warm, considerate service our employees provide is, I believe, one of the Company's greatest strengths.

We also see our *partner-san* and *part-timer-san* not merely as labor but as irreplaceable teammates who support our stores. In the workplace, it is customary to address one another with respectful honorifics such as "-san," reflecting a culture of mutual respect that is evident in daily communication.



The President's Office compiles heartwarming letters of gratitude from customers and patients and regularly shares them with all employees.

Message from the Presidents

Hirose When I first became president and visited all our stores, what struck me most was the atmosphere in each location. In many companies, it's common for store managers to come out and greet senior executives when they visit. But with us, it is different. Even when I arrived, the staff didn't stop what they were doing or treat me any differently—they simply continued focusing on their usual work. To me, that reflected a mindset of always putting customers first rather than reacting to a visit from headquarters.

When a regional manager who was accompanying me entered a store, it was the *partner-san* who approached first, casually saying things like, "How are you? How's everything going?"

Seeing those natural exchanges made me realize that what exists in our workplaces is not a hierarchy, but a relationship of trust among colleagues who share the same purpose.

Our *partner-san* live in the same communities as our customers and know their faces and voices better than anyone else. While store managers are transferred every few years, many *partner-san* stay at the same store for a long time, serving as the true heart of each store's culture. This is why our stores naturally prioritize customers over headquarters—and that, I believe, is one of our greatest strengths, something that truly sets us apart from other companies.

Co-Creating with Communities —Everyday Connections Built on Trust

Hirose One of our key strengths is that our stores themselves serve as points of connection with the local community. Through daily interactions with customers, we build relationships of trust, which eventually evolve into forms of collaboration with the community. Each store naturally reflects our desire to be more than just a place that sells products—we want to be a presence that supports the daily lives of local residents.

Take, for example, Kiyokawa Village in Kanagawa Prefecture. It's the only village in the prefecture and has a small population, so from

a profitability standpoint, opening a store there was far from an easy decision. However, after the village's only convenience store closed and residents lost their only place to shop, we received heartfelt requests saying, "We want CREATE SD to come here." In response, we decided to open a store. Working in cooperation with the local government, including on building development, we aimed to make the store function as essential community infrastructure. This decision was not driven solely by profitability—it was made by placing the highest priority on whether the community truly needed us. For us, it represents an initiative of great significance.



Opening ceremony of the Kiyokawa Store



President Hirose with the Mayor of Kiyokawa Village

Takiya Trust with the community isn't something that can be created through special initiatives, it grows naturally through the accumulation of everyday interactions. One episode that left a strong impression on me happened when we opened a new store. The store manager visited a nearby kindergarten with coloring sheets for a promotional activity and invited the children by saying, "We'll display your drawings in our store." Many children took part, and on the opening day, the store was filled with colorful artwork, creating a warm and cheerful atmosphere.

Moved by the experience, the children went on to make their own "Little Create" inside their kindergarten—entirely out of cardboard. They recreated the shelves, products, registers, and even shopping baskets, and enthusiastically played the roles of store clerks, greeting each other with "Welcome!" The store manager was deeply touched. Later, he visited the kindergarten again with a certificate of appreciation and some juice, personally thanking each child.

When staff at headquarters heard about the story, they decided on their own to turn the episode into a picture book and shared it during an internal meeting, where it received an enthusiastic response. The book was titled *The Big Create and the Little Create*. This kind of heartwarming connection born in the field spreads a sense of empathy throughout the Company and helps strengthen our shared corporate culture.



Picture book inspired by interactions with the local community



Children who inspired the picture book

Hirose With an eye toward times of disaster, we work in cooperation with local governments to establish systems for the prioritized supply of emergency goods and support for evacuation centers. Our goal is to be more than just a place that sells products—we want to be a presence that people in the community can rely on in times of need. That desire remains unchanged.

To be a company that people genuinely feel glad to have in their community, we will continue to stay close to them and move forward together.

Developing People —Evolving Together with Employees

Hirose One of the values we hold dear is the desire to be a company that values people. This applies not only to our customers, but equally to every one of our employees. The growth of a company and the growth of its people are inseparable.

We have established a comprehensive training center by repurposing our former head office building, where we provide training in areas such as pharmaceutical dispensing, home medical care, and system operations. The center emphasizes hands-on education directly linked to practical work, including on-site training for home care in rooms modeled after real living environments, and operation exercises using the latest dispensing equipment. This facility was once considered for sale as an unused asset. However, viewing it from a long-term perspective, we decided to repurpose it as a hub for developing people. Today, it serves as an essential foundation that underpins our strength in human resources.

Takiya I have a strong sense that I was shaped by my experience in the field. That is why I want our *partner-san* and *part-timer-san* who are working on the front lines today to take pride and find real meaning in their work.

For our customers, it is the *partner-san* and *part-timer-san* who are the most familiar and approachable faces. Because they work in the same communities for many years, they naturally build trusting relationships with regular customers and are quick to notice changes or needs in their daily lives. I believe this sensitivity on the front line is what truly supports our brand.

The role of management is to provide every employee in the field with the systems, environment, and emotional support they need to perform at their best. We will continue to believe in the power of our workplaces and stand firmly behind those who work there.

Hirose Going forward, we will place even greater emphasis on developing female store managers and area managers. To ensure that women can continue their careers through different life stages such as childbirth and childcare, we are enhancing our systems for maternity leave, childcare leave, and shortened working hours,

while also conducting training programs that promote mutual understanding within the workplace. I believe that beyond formal systems, the key to empowering women lies in fostering a culture of mutual support and understanding on the front lines.

"Developing people" is not something that yields results in a short period of time. It means taking a long-term perspective—supporting each individual as they grow and become trusted members of their communities. We will continue to stand by each person's challenges and progress, working together toward the growth of both our people and our Company.

Evolving Business Model and Growth Strategy

Hirose Since our founding, we have never confined ourselves to the traditional definition of a "drug store." We have continuously evolved our business formats in response to the needs of local customers and expanded the scope of our operations. Today, we clearly position ourselves as a comprehensive healthcare support company that connects four key areas—daily living, prevention, treatment, and nursing care—to support the everyday lives of local communities.

As part of this approach, we have strengthened our food offerings in recent years, expanding even into fresh produce. This enables customers to purchase not only medicines but also groceries and daily necessities all in one place, providing the convenience of one-stop shopping that has been especially well received by older adults and families with children. However, because the fresh food business presents unique challenges, we plan to enhance our know-how and service quality by collaborating with local supermarkets and pursuing M&A.

In our core dominant area of Kanagawa Prefecture, our drug store market share is about 40%, but our share in the prescription business is still around 5%, which we see as an opportunity for further growth. We will continue to expand our prescription drug store network both through our own store openings and through



Message from the Presidents

M&A activities. We believe that establishing a system in which our drug store, prescription drug store, and nursing care operations are seamlessly connected to play a deeper role in customers' daily lives will be key to driving future growth.

- At the same time, improving operational efficiency is essential for sustaining long-term growth. We rigorously implement our Everyday Low Price (EDLP) pricing strategy, minimizing fluctuations in sales promotions such as flyers or loyalty point campaigns to achieve consistent workloads and low-cost operations. In addition, by analyzing the workload of each store and optimizing staffing levels, we have been able to keep personnel expenses as a percentage of sales under control while also improving employee wage levels.

Takiya When it comes to technology, our focus is not on introducing machines for their own sake, but on achieving fundamental improvements in operations. For example, when implementing semi-self-checkout registers, automated dispensing equipment, or AI-based prescription record support systems, we first take the time to carefully review on-site operations before proceeding.

We regard IT and machines purely as tools—the most important thing is that they enable store staff and pharmacists to spend more time engaging directly with customers.

Hirose Our new Medium-Term Management Plan, Next STAGE 2030, builds on these initiatives. The plan sets numerical targets of 680 billion yen in net sales, an ordinary margin of 5% or higher, and return on equity (ROE) of 12% or higher. These figures are not goals for their own sake but are targets derived from our vision of what we aspire to be as a company.

As a company listed on the Tokyo Stock Exchange (TSE) Prime Market, we also have a responsibility to meet the expectations of shareholders and investors in terms of both growth and returns. Going forward, we will continue to enhance the value we deliver to local communities and customers, while maintaining operational efficiency and flexibility, to further strengthen our corporate value.

ESG and Sustainability Management —Striving for Harmony with the Environment, People, and Communities

Hirose To contribute to the creation of sustainable local communities, we believe that economic growth as a company must go hand in hand with environmental responsibility, the active engagement of our people, and coexistence with diverse stakeholders. Our efforts to embody this belief are reflected in our approach to environmental, social, and governance (ESG) and sustainability management.

Most recently, in June 2025, we were selected for the first time as a constituent of the FTSE Blossom Japan Sector

Relative Index, an ESG investment index. This recognition reflects our ongoing initiatives to advance sustainability and our proactive approach to information disclosure.

In terms of environmental responsibility, we have continuously maintained ISO 14001 certification since 2001, ensuring that not only our headquarters but each individual store is designed and operated in line with environmental standards. Rather than developing uniform, standardized store formats, we adopt a "one-store, one-design" approach that takes into account the local environment and the way people live in the community.

For example, when a store is located near a residential area, we design parking lots to minimize noise and exhaust emissions, and we carefully plan delivery vehicle routes to ensure harmony with the surrounding environment from the earliest stages of development.

This meticulous, hands-on approach to store planning may differ from methods focused solely on efficiency, but in the end, it helps our stores take root in their communities and continue to be loved by the people they serve for years to come.

Takiya From the perspective of human capital, one of our key priorities is supporting the active participation of female employees. In recent years, the proportion of women among our full-time staff has grown significantly, and in some stores, the majority of employees—including both full-time staff and *partner-san*—are women.

In response, our first step has been to create a more comfortable working environment. We have renovated older store restrooms to clearly separate facilities for men and women, established strict guidelines in logistics operations to avoid stacking heavy loads on upper shelves, and redesigned anti-collapse bars and locks to make them easier for women to handle. These are examples of the many careful improvements we have made based on feedback from the field.

In addition, to ensure that employees can continue their careers through childbirth and childcare, we have enhanced systems such as maternity and childcare leave and shorter working hours, while also conducting training programs to promote mutual understanding within stores. We believe that beyond formal systems, fostering a workplace culture in which colleagues naturally support one another is the true key to helping women build lasting, fulfilling careers.

Hirose Under our new Medium-Term Management Plan, Next STAGE 2030, we are committed to promoting more women to positions such as store managers, pharmacy managers, and area managers. While the proportion of women among our pharmacists is already high, we are now focusing on expanding female representation in retail and management roles.

In addition, we recognize that strengthening governance is essential for achieving sustainable growth and enhancing corporate value. In February 2022, we established a Nomination

and Remuneration Committee to ensure the transparency and objectivity of the evaluation and decision-making process regarding the nomination and remuneration of directors. Moving forward, we will continue to build a sincere and fair organizational structure, further strengthening and enhancing corporate governance as a corporate group trusted by all stakeholders.

We believe that steady efforts across the areas of environment, people, and communities form the path toward becoming an indispensable presence in local communities. We will continue to take deliberate and consistent steps to achieve a sustainable balance between society and business.

Conclusion

—A Company That Balances Culture and Change

Takiya Through my years of working on the front lines and interacting directly with customers, I have come to realize that corporate culture is not something defined by systems or rules—it is something that lives within people. Every one of our stores shares a certain atmosphere, a spirit that feels almost like the air that flows through them. It is the simple, natural impulse to ask, "What can I do right now for the customer in front of me?"—and to act on it.

What sustains this culture is our unwavering commitment to a hands-on, field-oriented approach. Because each employee takes initiative in their daily work, this mindset has spread and become shared across the entire organization.

This culture has been passed down through many employees who embodied the philosophy of our founder. I, too, once had the opportunity to be directly mentored by the founder in the field and learned his way of thinking firsthand. His words—"A company must act with integrity" and "The customer must always come

first"—continue to serve as guiding principles for me today.

To have people say, "I'm glad CREATE SD is here" or "This store is essential to our community"—that is the very reason we exist. It is the essence of what makes CREATE SD who we are, something we will continue to hold dear.

Hirose We are living in an era where many aspects of society—population structure, lifestyles, values, and even relationships with stakeholders—are changing at a rapid pace. Amid such transformation, our goal is to remain a company that adapts flexibly to change while steadfastly preserving the things that must never be changed.

To cherish our corporate culture does not mean protecting the past; it means continuing to evolve it for the future. In our new Medium-Term Management Plan, Next STAGE 2030, we have set out new challenges, including expanding our store network, generating synergies through M&A, and diversifying our business formats. At the core of all these initiatives lies our enduring culture of putting customers first, regardless of the era.

After becoming president and visiting our stores across various regions, I was reminded of the strength of our frontline teams—something that cannot be measured by numbers or indicators. Actions taken with customers in mind are shared naturally among our employees. I felt that this was not driven by systems such as performance targets or quotas, but rather supported by a shared understanding of why we work and what purpose we serve.

This integrated report represents our first step in communicating not only our management policies and financial performance, but also these intangible values that define who we are.

Together with our communities, our employees, and all our stakeholders, we will continue to move forward—remaining an indispensable presence in people's lives.



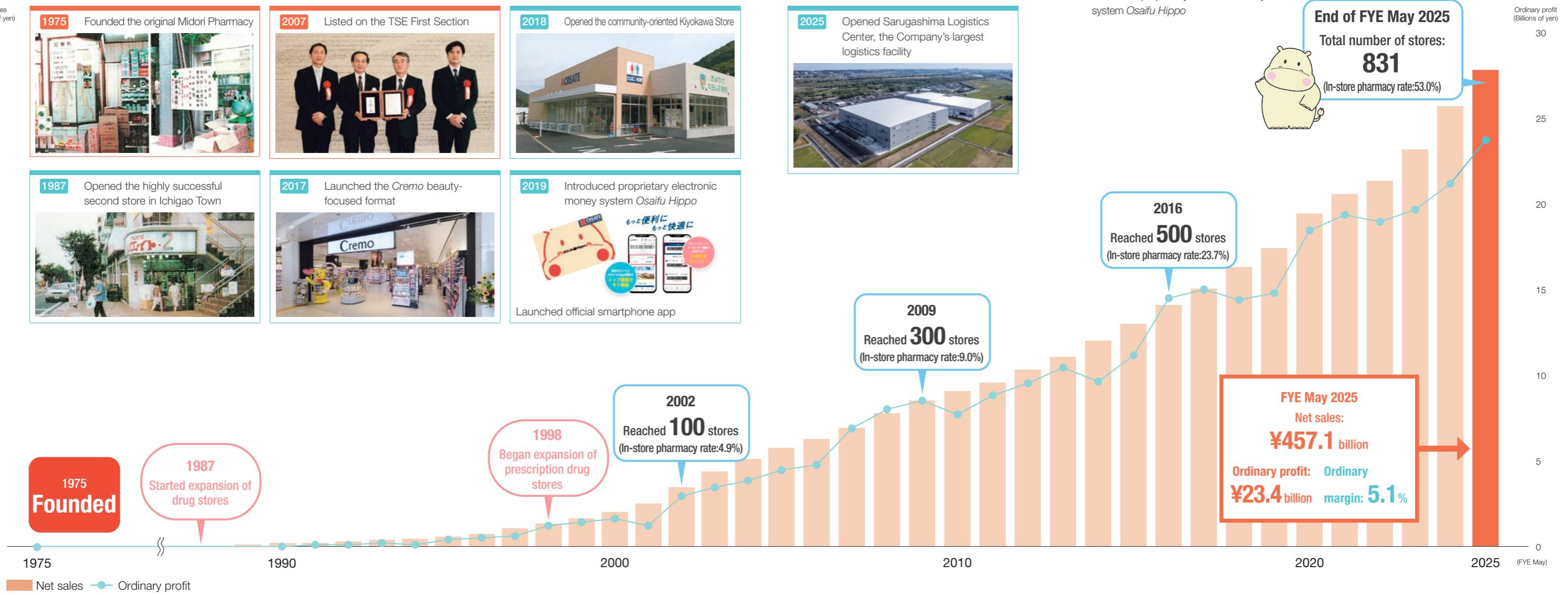
History of the CREATE SD Group

Since its founding in 1975, the CREATE SD Group has achieved steady growth while valuing its community-based business operations and a corporate culture that always puts customers first.

History

1970s-1980s	1990s	2000s	2010s	2020s
1975 Founded 1983 Established Midori Drugstore, Limited	1990 Company name changed to CREATE SD CO., LTD. 1991 Head office relocated to Midori Ward, Yokohama	2001 Acquired ISO 14001 certification 2004 Listed on the JASDAQ market 2005 Listed on the TSE Second Section 2007 Listed on the TSE First Section	2009 <ul style="list-style-type: none"> Established CREATE SD HOLDINGS CO., LTD. Made WELL LIFE CO., LTD. a wholly owned subsidiary 	2010 Established SALONDAY CO., LTD. as a wholly owned subsidiary 2011 Relocated head office to Edanishi, Aoba Ward, Yokohama 2013 Made NEW DRUG CO., LTD. a subsidiary 2014 Made TAIKO SHOJI, LIMITED A subsidiary
1975 Opened Midori Pharmacy in Sakuradai, Midori Ward (now Aoba Ward), Yokohama 1987 Opened second store in Ichigao Town, Midori Ward, Yokohama	1994 Began rollout of 825 m ² stores (Store No. 14: Atsugi Hase Store) 1995 Opened first store in Tokyo 1998 Began expansion of prescription drug stores	2002 Opened first store in Shizuoka Prefecture 2003 Opened first store in Saitama Prefecture	2004 Opened first store in Chiba Prefecture 2007 Opened first stores in Gunma and Ibaraki prefectures	2012 Opened first store in Aichi Prefecture 2016 Opened Prescription Training Center 2017 Launched Cremo

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Overview of the CREATE SD Group's Businesses

The CREATE SD Group aims to become a comprehensive healthcare support company that supports the health of local customers in every aspect of their daily lives—from prevention and treatment to nursing care. At the core of the Group is CREATE SD CO., LTD., which operates drug stores and prescription drug stores, primarily in Kanagawa Prefecture. The Group also includes WELL LIFE CO., LTD., which operates paid assisted living facilities, and SALONDAY CO., LTD., which operates rehabilitation-type adult day care service centers.

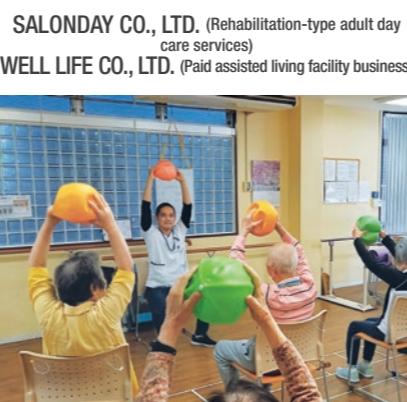
Drug Stores



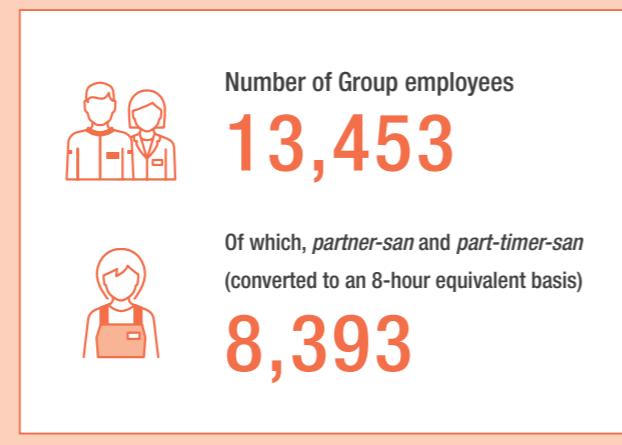
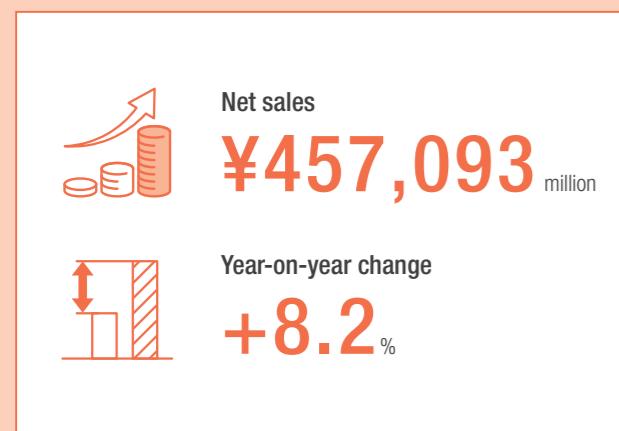
Prescription Drug Stores



Nursing Care



At a Glance—Key Figures of the CREATE SD Group



Drug Stores

The CREATE SD Group operates 787 drug stores as of the end of May 2025, primarily in Kanagawa Prefecture, with a focus on the Kanto and Tokai regions.

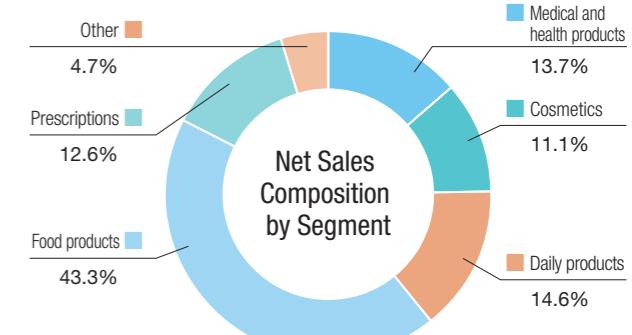
As familiar community hubs that support people's health and beauty, our stores offer a wide selection not only of medical and health products and cosmetics but also of daily products and food products that support everyday living. By providing a one-stop, quick-shopping experience, our stores have earned strong customer support for their high level of convenience. To encourage frequent visits in smaller trade areas, we have expanded our food lineup, including fresh



produce, and are promoting our EDLP strategy to offer prices that customers can trust and rely on whenever they shop. Since our founding, we have remained committed to prioritizing our customers and patients, continually enhancing our customer service and hospitality from their perspective.

Going forward, we will continue to contribute to our communities as a health and lifestyle infrastructure provider that supports the daily health and well-being of local customers while remaining a place they can easily turn to for advice.

Results for FYE May 2025



Prescription Drug Stores

As of the end of May 2025, the CREATE SD Group operates 455 prescription drug stores, primarily drug stores with in-store pharmacies along with stores located in medical malls and near train stations to meet the needs of each community.

Among these, 417 stores are located within drug stores, giving an in-store pharmacy rate of 53.0%.

With the ongoing separation of drug prescribing and dispensing in Japan, in-store prescription services have become a familiar and convenient part of customers' daily lives. In addition to offering professional pharmaceutical knowledge, our pharmacists provide comprehensive healthcare support through careful medication history management and guidance tailored to each individual—covering everything from prescriptions based on multiple doctors' instructions to over-the-counter medications and health supplements purchased during daily shopping.

Amid Japan's rapidly aging society, we are also working to meet the growing demand for home medical care and home-based medication

guidance, contributing to local healthcare as a "family pharmacy" where customers can feel comfortable seeking advice on any health-related matter.



Nursing Care

Amid Japan's aging population, the CREATE SD Group operates two paid assisted living facilities (as of the end of May 2025) for elderly people who want to live safely and securely under the care of nursing staff. For those who wish to remain healthy and continue living in their own homes, we also operate 37 half-day adult day care service centers (as of the end of May 2025) specializing in rehabilitation. Leveraging the Group's distinctive focus on attentive and courteous service, we are working to enhance user and resident satisfaction while improving facility occupancy rates.



Store Development Strategy of the CREATE SD Group

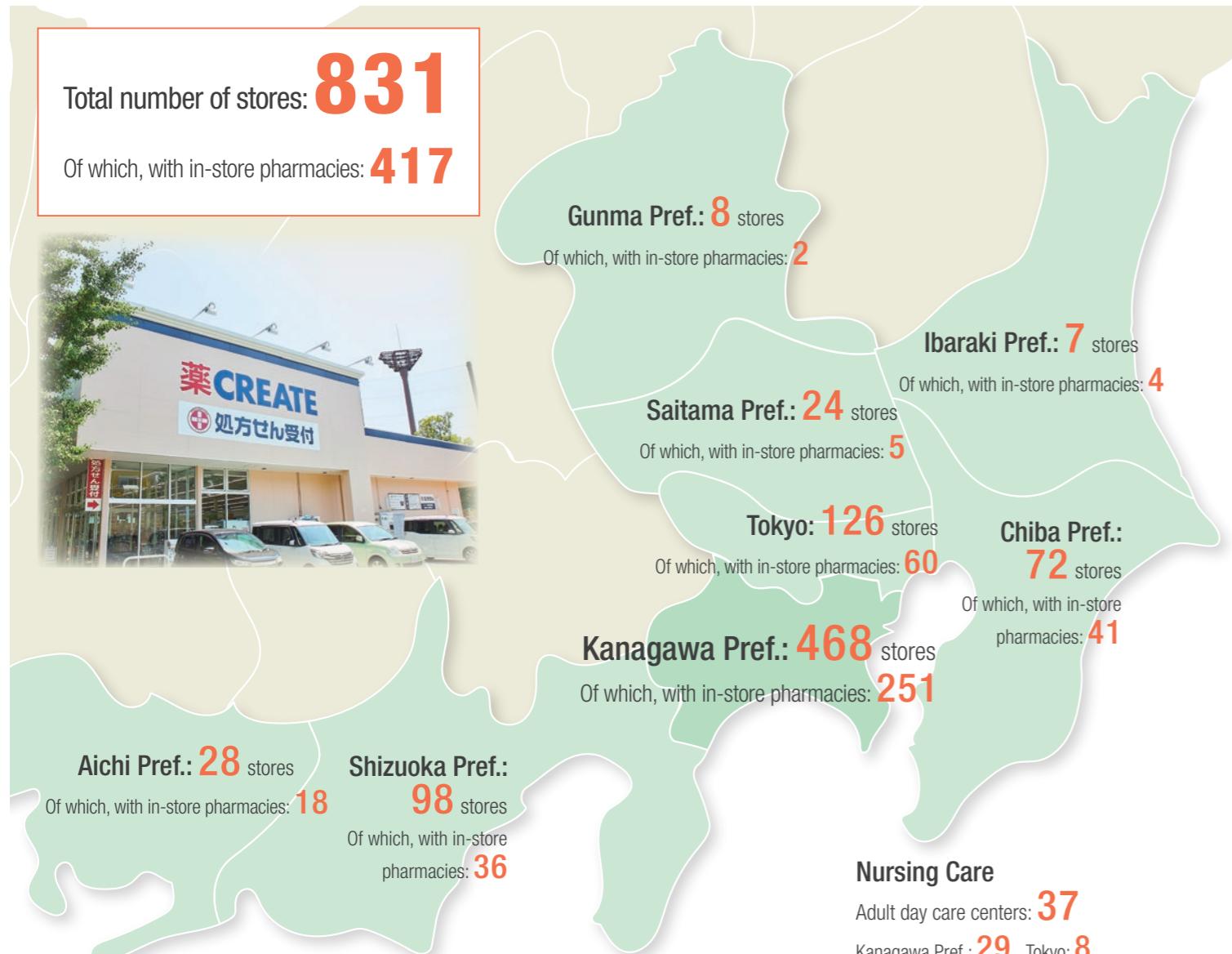
By implementing a dominant strategy rooted in local communities and developing stores tailored to local needs, we have achieved both efficient store operations and strong competitiveness at the individual store level.

Community-Based Store and Service Development

As of the end of May 2025, the CREATE SD Group operates 831 stores across one metropolitan area and seven prefectures in the Kanto and Tokai regions, with a focus on Kanagawa Prefecture, where the Company was founded.

In Japan, where the population is aging and overall numbers are declining, these areas have both high population density and a projected increase in the elderly population. Concentrating store openings in these regions has enabled the Group to establish a dominant market position with the leading share in Kanagawa Prefecture. A key feature of our dominant strategy is that it allows for efficient store operations through advantages in logistics, human resources, and sales promotion. As of the end of May 2025, the in-store pharmacy rate was 53.0%, and we are working to increase our market share within existing dominant areas, focusing on drug stores with in-store pharmacies.

CREATE SD Group Store Network (As of the end of May 2025)



Note: The total number of stores includes 38 dedicated prescription drug stores, 1 supermarket, and 5 fresh produce stores.

Store Development Tailored to Regional Characteristics Through Diverse Formats

In developing our store network, we flexibly adjust store size, layout, and product selection according to location, scale, terrain, and local characteristics. Our formats range from large suburban stores that focus on food products and target smaller trade areas to tenants in shopping centers that emphasize health and beauty, and dedicated prescription drug stores located within medical malls.

By adhering to strict store-opening standards, efficiently managing operations through our dominant strategy, and developing stores that reflect the unique features of each community, we have achieved both strong individual store competitiveness and efficient operations. Since our establishment 42 years ago, only 25 stores have closed due to poor performance.

Store Location Types

	No. of Stores	Share	Sales Floor Area (Reference)
Suburban type	631	80.2%	Approx. 330–2,310 m ²
Shopping center / In-shop type	88	11.2%	Approx. 150–1,700 m ²
Station-front / Shopping street type	50	6.4%	Approx. 230–990 m ²
Urban type	18	2.3%	Approx. 180–560 m ²
Total	787	100.0%	—

Suburban type



Shopping center type



Fresh produce tenant complex type



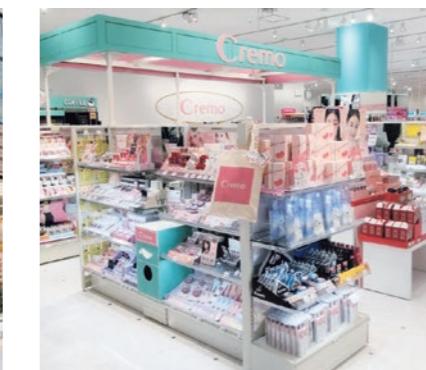
Medical mall type



Urban type



“Cremo” beauty care-focused format



Dedicated prescription drug store



Services of the CREATE SD Group

Since its founding, the CREATE SD Group has remained steadfast in its customer-first philosophy, consistently pursuing initiatives and services from the customer's perspective.

EDLP and an Extensive Product Lineup for Greater Convenience

The CREATE SD Group's core strategy is the EDLP approach, which minimizes reliance on temporary sales or discount cycles to ensure customers can always shop at affordable prices. In addition to the conventional drug store lineup, to enhance convenience for customers in smaller trade areas we have expanded our selection of fresh foods, including produce, meat, prepared dishes, and seafood (both fresh and dried), and at some large-format stores we have adopted a concession-style format, inviting local supermarkets and specialty fresh food retailers as tenants.



To meet increasingly diverse customer needs, we are continuously developing new private brand (PB) products and updating existing ones, both independently and through joint development with manufacturers. With approximately 1,000 items available, these products offer excellent quality, generous volume, and affordable pricing. In the fiscal year ended May 31, 2025, PB products accounted for 9.2% of total sales, serving as an important contributor to the Group's overall profitability structure.



In-Store Pharmacies and Home-Based Medication Guidance

We are promoting the integration of prescription drug stores within our drug stores, allowing customers to conveniently pick up their prescribed medicines while doing their daily shopping. To make it easier for patients to visit multiple medical institutions—such as internal medicine and orthopedics—at one location, we are also working to attract clinics within or adjacent to store premises, including in parking areas.

In addition, to meet the growing demand for home-based medical care and nursing care in Japan's super-aging society, our pharmacists provide home-based medication guidance,



working in collaboration with physicians, nurses, and care managers to support patients' overall well-being.

Our pharmacists not only deliver medicines to nursing care facilities and patients' homes, but also visit in person to ensure safe and effective medication management. They check for potential drug interactions and monitor remaining quantities, while also listening to each patient individually to suggest easier-to-take dosage forms and identify possible side effects—helping to resolve a wide range of medication-related issues.



Official App and Proprietary Electronic Money System Osaifu Hippo

To make everyday shopping more enjoyable, rewarding, and convenient, we have launched a dedicated official app, which has now surpassed three million downloads. In addition to offering exclusive coupons and member-only campaigns, the app also serves as a prescription pick-up app, allowing users to send their prescriptions in advance. The app is integrated with the CREATE SD Group's proprietary electronic money and point card system, Osaifu Hippo, which enables cashless payments. By preloading funds onto the card, customers can enjoy a smoother and faster checkout experience.



Exceptionally Satisfying Customer Service

Since its founding, the CREATE SD Group has always valued putting customers first and acting with their needs in mind. Services such as the "Carry Service," where staff assist customers—including those with large or heavy purchases, elderly customers, expectant mothers, and customers with physical disabilities—by carrying bulky or heavy purchases to their cars, and the "Special Order Service," which was created



to meet customer requests for items not displayed in-store due to limited shelf space, both originated from the initiative of individual store employees.

Going forward, we will continue to uphold our Management Philosophy of delivering genuine kindness and courtesy while expanding and enhancing our range of initiatives and customer services.



Regularly Held Community Events

What we value most is doing everything we can for the customers and patients right in front of us. The Children's Coloring Event, which began with one store manager's wish to see children's smiles, is now held at many of our stores.

Other examples include store staff catching beetles to give to children, and events such as Find Hippo-chan, where our mascot character "Hippo-chan" is hidden in different areas of the store. Each event is an original idea conceived and organized by store employees themselves.

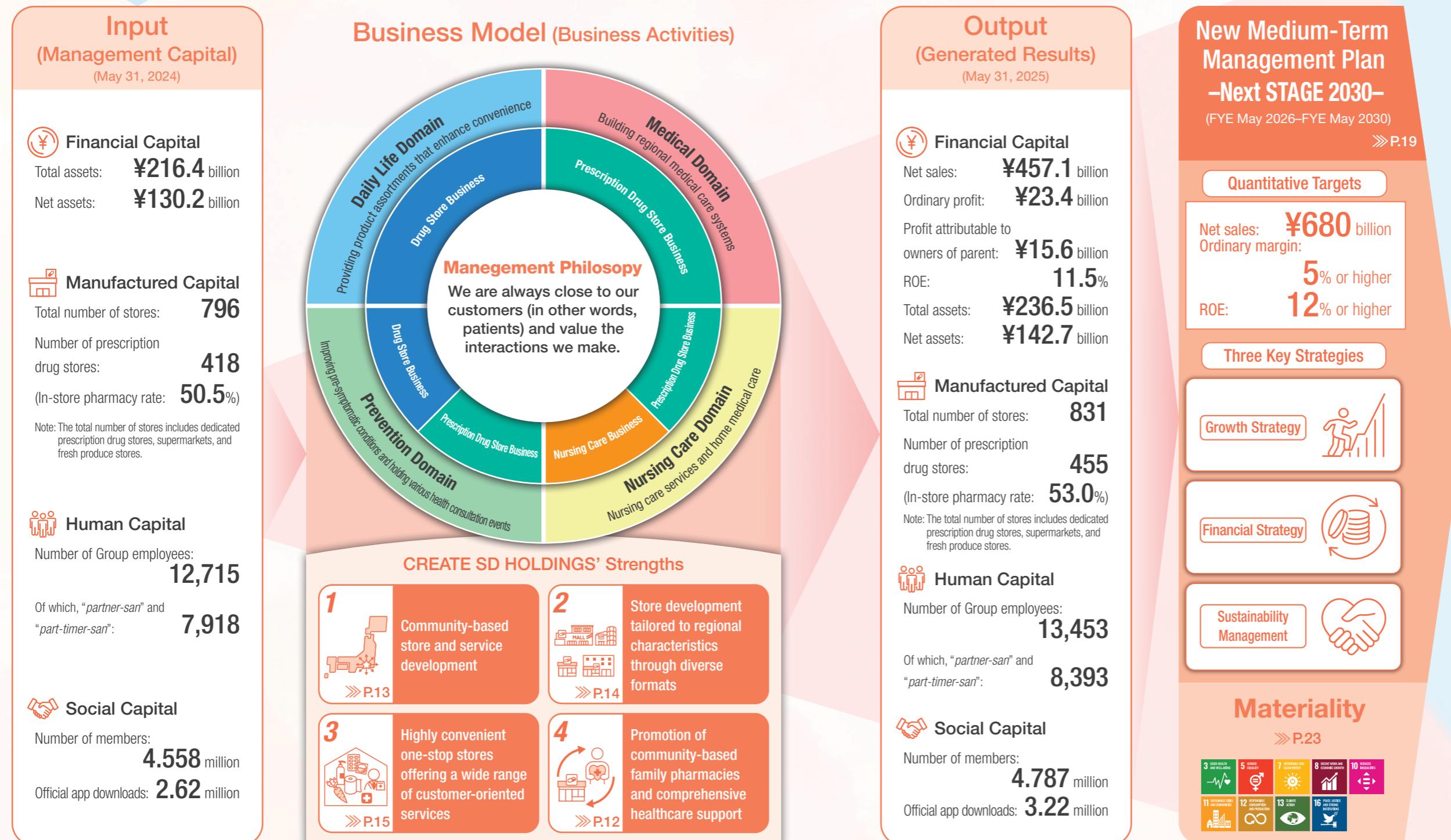
In addition to these children's activities, we also regularly hold health-focused events, such as consultation sessions led by pharmacists and nutritionists (» see p.29).



Children's artwork displayed in-store as part of the Coloring Event

Value Creation Process

The CREATE SD Group's mission is to support healthy and secure lifestyles for people in local communities by continually delivering value that is closely attuned to people and communities. Through the operation of drug stores and prescription drug stores, we address social issues in the fields of medical care, health, and daily life support, and contribute to the realization of a sustainable society through our business activities.



Outcome (Vision)



Becoming a comprehensive healthcare support company rooted in local communities and supporting every stage of life



CREATE 处方

Toward sustainable growth Returning value and reinvesting for the future

New Medium-Term Management Plan—Next STAGE 2030—

(FYE May 2026–FYE May 2030)

Half a century since our founding, we have consistently pursued steady, self-sustained growth by operating our business in close connection with local communities and maintaining a steadfast commitment to walking alongside our customers.

Our progress has been supported by an efficient operational structure based on a dominant strategy, strong individual store competitiveness, and a distinctive corporate culture rooted in valuing people.

Building on these strengths, we are now embarking on a new challenge aimed at further growth—Next STAGE 2030.

Quantitative Targets for FYE May 2030

Net sales: **¥680 billion**

Ordinary margin: **5% or higher**

ROE: **12% or higher**

In the new Medium-Term Management Plan, Next STAGE 2030, we have identified three key strategies—Growth Strategy, Financial Strategy, and Promotion of Sustainability Management—to serve as pillars for driving our continued development into the future.

Three Key Strategies



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 investor relations (IR) and non-financial information disclosure



Growth Strategy

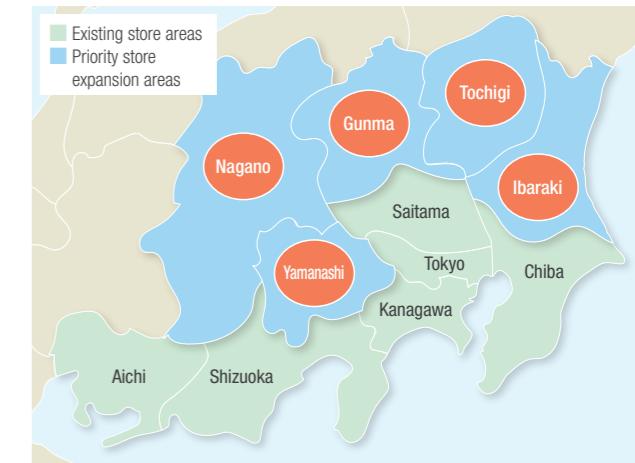
- Store opening strategy
- Prescription business strategy
- Strengthening of profitability

While continuing to deepen dominance in existing areas, we will strengthen our presence in new commercial zones and accelerate growth through the strategic use of M&A.

Store Opening Strategy

—Expansion into New Commercial Areas

We will continue promoting store openings in dominant areas while further enhancing individual store competitiveness through initiatives such as strengthening the food lineup (including fresh produce), remodeling existing stores through scrap-and-build projects, collaborating with local medical institutions, and developing diverse store formats such as *Cremo*, our beauty care-focused format. In addition, we will expand our store network into five neighboring prefectures—northern Kanto (Ibaraki, Gunma, Tochigi) and Koshinetsu (Yamanashi, Nagano)—to broaden our commercial footprint. In entering new commercial areas, we plan to pursue both organic growth through self-directed store openings and inorganic growth through M&A.



Proactively Pursuing M&A for Sustainable Growth

To achieve the net sales target of 680 billion yen for the fiscal year ending May 31, 2030 and further accelerate our growth rate, we will actively pursue business expansion through M&A in addition to organic growth via self-directed store openings. In April 2025, we established a dedicated M&A team to enable swift and agile execution. Our approach is not limited to drug stores but also encompasses supermarkets, dedicated prescription drug stores, and other business formats. We will flexibly engage in collaborations with companies that share our corporate culture and values, and with which we can expect to generate strong synergies.

Topics

M&A Case: Collaboration with the Yuri Store Supermarket

At Yuri Store, a supermarket operated by YURIGAOKA SANGYOU CO., LTD.—which became a subsidiary in February 2020—we have retained the store's original name while transforming it into a hybrid format that combines a supermarket and a drug store. By preserving the well-loved local store name, we aim to create a store that continues to be trusted and needed by the community, offering greater convenience and peace of mind to local customers.



Retaining the original store name while converting to a combined supermarket and drug store format



Growth Strategy

- Store opening strategy
- Prescription business strategy
- Strengthening of profitability

Increasing prescription drug store share and strengthening profitability in the Tokyo metropolitan area

Prescription Business Strategy

To increase our presence in the prescription drug store market in the Tokyo metropolitan area, we are working to boost market share and strengthen our role as a “family pharmacy.” In pursuit of higher market share, we plan to leverage M&A while aiming to raise the current prescription sales ratio from the 12% range to over 20%.

In addition to conventional in-store pharmacies located within drug store, we will take on new business formats—such as developing small-format prescription-focused stores near train stations, establishing medical malls by attracting medical institutions, and creating facility-based home care pharmacies designed with future outsourcing in mind. Through these initiatives, we will promote pharmacy development tailored to the needs of each local community.



Strengthening of Profitability

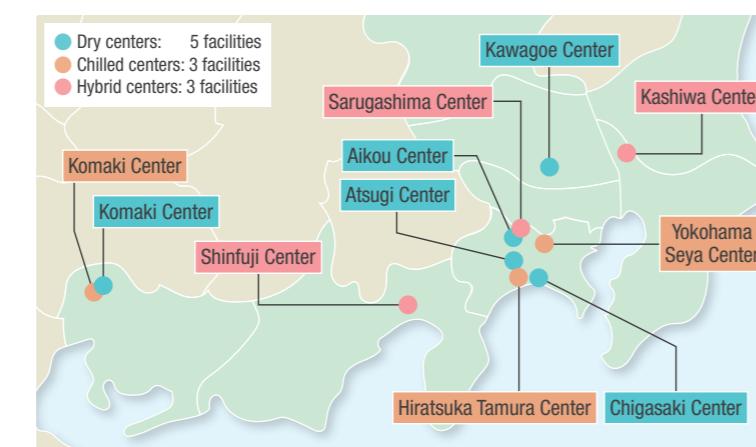
In the increasingly competitive drug store industry, we are working to enhance profitability and maximize management efficiency by maintaining a sustainable earnings base through the following initiatives:

- Diversifying food product offerings and deepening collaboration with medical institutions in line with local needs, including the integration of in-store pharmacies
- Improving profit margins by reviewing and optimizing store formats and product strategies
- Enhancing operational efficiency and productivity through optimized staffing, workflow improvements, and the introduction of digital transformation solutions and new equipment
- Establishing and reallocating logistics centers, improving delivery efficiency through shared distribution of ambient and chilled products, and enhancing productivity across the entire supply chain

By combining these comprehensive measures, we aim to establish an efficient and stable earnings structure, creating a solid management foundation that enables continued growth investment.



The newly established Sarugashima Center (opened in February 2025) serves as a hybrid distribution center, delivering both dry and chilled products simultaneously.



The CREATE SD Group's logistics network



Financial Strategy

- Capital investment plan
- Shareholder return policy
- Cash allocation

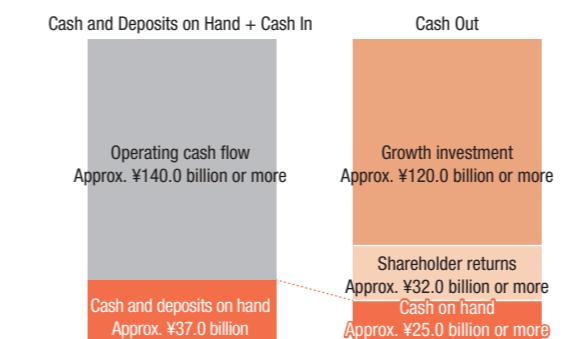
Balanced allocation between proactive growth investment and enhanced shareholder returns

Clarifying Cash Allocation Policy

To achieve the goals of Next STAGE 2030, it is essential to secure both sustainable growth and a sound financial foundation. We plan to utilize operating cash flow and a portion of cash and deposits on hand to strike an appropriate balance between proactive growth investments and the enhancement of shareholder returns.

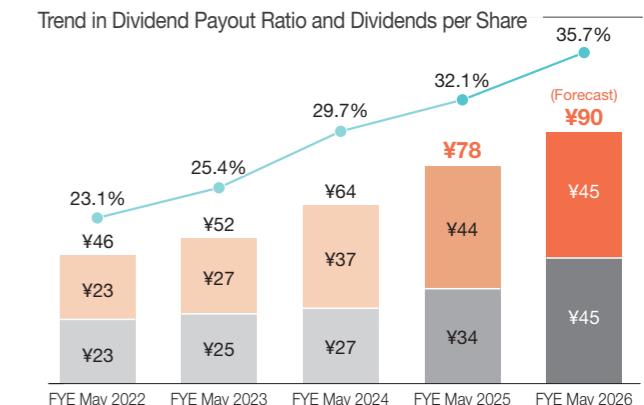
In addition to investing in new store openings, remodeling existing stores, establishing and reallocating logistics centers, promoting digital transformation, developing human resources, and pursuing M&A, we will also actively return

Cash Allocation (Cumulative for FYE May 2026–FYE May 2030)



profits to shareholders, focusing on stable and continuous dividend increases. Through this allocation policy, we aim to seize growth opportunities and expand both business scale and profitability, while providing long-term, stable returns to our investors—enhancing value for both sides. For growth investments, we plan to make active annual investments of around 20 to 30 billion yen, utilizing debt financing as needed.

By maintaining a management approach that integrates proactive investment with appropriate shareholder returns, we are committed to establishing a sustainable growth foundation from a long-term perspective.



Sustainability Management ➤P.23

Promoting initiatives across ESG areas

We are committed not only to expanding our store network and pursuing scale, but also to advancing sustainability management—growing responsibly while fulfilling our obligations to a wide range of stakeholders, including local communities, the environment, and our employees.

Three Key Strategies

- Creating a comfortable and rewarding work environment
- Business activities with consideration for the global environment
- Enhanced IR and non-financial information disclosure

Sustainability 

Sustainability / Materiality

With the spirit of “humility”—our Company motto—as its foundation, the CREATE SD Group positions sustainability as a key management priority. We aim to achieve both a sustainable society and continuous enhancement of corporate value. In addition to fulfilling our mission as a lifeline that supports the health and daily lives of local communities, we are sincerely addressing a wide range of issues—including reducing environmental impact, building a circular economy, respecting human rights, and ensuring thorough compliance—while promoting honest and fair business activities.

Sustainability Basic Policy

In accordance with our Company motto of “humility,” we at the CREATE SD Group consider sustainability initiatives to be an important issue for management, and aim to achieve both

“sustainable improvement of corporate value” and “realization of a sustainable society” through honest and fair business activities. Our basic policy is as follows:

Sustainability Basic Policy

1. As a lifeline that supports the health and lives of the local community, we will continue to be a presence that is trusted and expected, and that can meet their trust and expectations.
2. In order to protect the global environment, we will strive to reduce environmental impact and create a recycling-oriented society.
3. As a corporate group trusted by society, we will strive to build an honest and fair organization and promote respect for human rights and strengthening governance and compliance.

Stakeholder Engagement

Based on our Code of Conduct, the CREATE SD Group places great importance on all stakeholders, including customers, employees, business partners, shareholders, and

local communities. Through information disclosure and dialogue, we strive to deepen mutual understanding and build relationships of trust.

Stakeholder	Main Methods and Points of Contact	Expectations for the Group
Customers / Patients	In-store interaction and nursing care services Official smartphone app and social media channels Website Inquiries to the customer service desk Direct postcards to the President's Office	<ul style="list-style-type: none"> Provision of safe and reliable products and services Convenient stores where customers can easily seek advice and find what they need Function as a lifeline and infrastructure that supports daily life and consultations
Employees	Internal company newsletter app and information-sharing tools Various training programs and study sessions Store manager and pharmacy manager meetings Employee Consultation Desk (internal reporting channel) Evaluation system and feedback interviews	<ul style="list-style-type: none"> A company where employees want to work for many years A safe and comfortable workplace, especially for women A rewarding workplace that respects human rights and individual dignity and recognizes effort An open and communicative corporate culture
Local communities	New store and pharmacy openings Participation in community activities Disaster agreements with local governments Home visit and medication services for nursing facilities and individual homes	<ul style="list-style-type: none"> Building strong partnerships and maintaining good relationships with local communities while supporting their health and lifestyles Functioning as a health hub station Cooperation with local medical institutions Business activities with consideration for the environment
Business partners	Business meetings Communication through sales activities Product procurement, delivery, and outsourcing operations	<ul style="list-style-type: none"> Fair, equitable, and free competition and appropriate transactions Building sound and progressive relationships Prevention of abuse of superior bargaining position
Shareholders / Investors	General Meeting of Shareholders Financial results briefings IR meetings with investors Website and news releases	<ul style="list-style-type: none"> Improvement of corporate value and appropriate profit returns Proper information disclosure and proactive dialogue Enhancement of governance (independence, diversity, transparency)

Identified Material Issues (Materiality)

Area	Material Issue	Direction Aimed for by the Group	Main Initiatives / Examples
E Environment 	Business activities with consideration for the global environment   	<ul style="list-style-type: none"> Reduction of greenhouse gas emissions Improved efficiency in the use of resources and energy Waste reduction based on the 3Rs principles (reduce, reuse, recycle) 	<ul style="list-style-type: none"> Continued certification of all stores under ISO 14001 Initiatives to reduce waste and use resources efficiently Improved energy efficiency for air conditioning and lighting Reduction of CO₂ emissions through improved logistics efficiency Reduction of food loss by enhancing order accuracy Installation of solar panels at logistics centers and on store rooftops
S Society 	Contribution to customer and patient health and to community healthcare   	<ul style="list-style-type: none"> Provision of safe and reliable products and services Contribution to community healthcare as a lifeline and medical infrastructure that supports residents' health and daily lives Continuous opening of sustainable, community-rooted stores 	<ul style="list-style-type: none"> Enhanced specialization through in-store prescription drug services and improved convenience via one-stop shopping Contribution to community healthcare in home and nursing care fields Health consultation events and other local initiatives Store openings based on strict standards, resulting in few closures Disaster cooperation agreements and formulation of a business continuity plan (BCP)
G Governance 	Creating a rewarding company that values employees   	<ul style="list-style-type: none"> Comfortable and rewarding work environment Promotion of diversity and inclusion Development and empowerment of human resources 	<ul style="list-style-type: none"> Improved workplace environments for women Regular one-on-one meetings with a focus on work-life balance Initiatives to support the next generation Promotion of employee health maintenance and improvement, and higher health checkup rates Job creation through special-purpose subsidiary employment
G Governance 	Promoting honest and fair business activities   	<ul style="list-style-type: none"> Strengthening an effective governance framework Proper execution of risk management Promotion of fair transactions and partnerships with business partners Upholding and enhancing corporate ethics through activities based on our corporate motto, philosophy, and Code of Conduct 	<ul style="list-style-type: none"> Establishment of the Audit and Supervisory Committee and the Nomination and Remuneration Committee Establishment of the Compliance Committee Operation of an internal reporting system Strengthening of risk management and information security In-house training and employee education Proper information disclosure and proactive dialogue

Topics

Notice Concerning Initial Inclusion in the ESG Investment Index, FTSE Blossom Japan Sector Relative Index

The CREATE SD Group has been selected for inclusion in the FTSE Blossom Japan Sector Relative Index. This index targets companies that demonstrate relatively superior ESG practices within each sector. In particular, for sectors with high greenhouse gas emissions, only companies whose responses to climate change risks and opportunities are positively evaluated based on the Transition Pathway Initiative (TPI) Management Quality score are included. The index is sector-neutral, eliminating bias toward specific industries. Furthermore, this index has been adopted by Japan's Government Pension

Investment Fund (GPIF) as one of the benchmarks for its ESG passive investment strategy, making it an important reference for investor decision-making.



Environment 

Environmental Initiatives

The CREATE SD Group regards environmental conservation as one of its most important corporate responsibilities and actively engages in initiatives and activities to help realize a sustainable society.

Ongoing ISO 14001 Certification

At CREATE SD, we have maintained ISO 14001 certification since 2001 for all stores and business locations to ensure environmentally conscious and sustainable business operations. We are committed to reducing environmental impact in a variety of ways, including cutting down on plastic shopping bags, introducing energy-efficient equipment, properly sorting and recycling waste, and taking measures to minimize noise and exhaust emissions in parking areas. Within the Company, we emphasize the plan-do-check-act (PDCA) cycle and engage all employees in ongoing efforts to improve our environmental management and promote environmental conservation.



CREATE SD Environmental Policy

1. Environmental Philosophy

CREATE SD strives to foster a refreshing, calm, and soothing environment while building a company that opens the way to the future.

2. Action Guidelines

- (1) As a company that promotes beauty and health, we recognize the environmental impact of our business activities, products, and services, and contribute to society through environmental conservation initiatives.
- (2) We pursue our goal of being Japan's most genuinely kind and courteous company from an environmental perspective, continuously improving our environmental performance and promoting environmental protection through the following initiatives:
 - (i) Reducing waste (e.g., recycling cardboard)
 - (ii) Using resources efficiently (e.g., electricity and paper)
 - (iii) Considering the surrounding community (e.g., reducing noise and exhaust emissions in parking areas)
 - (iv) Achieving both cost efficiency and a comfortable work environment

- (3) In addition to complying with relevant environmental laws and regulations, we also adhere to other requirements to which we have agreed, working to raise the level of our environmental management.
- (4) When building and operating our environmental management system, we set environmental objectives and review them as necessary in response to changing circumstances.
- (5) This policy is thoroughly communicated to all employees.
- (6) The policy is also made available to the general public upon request.

Initiatives Toward a Recycling-Oriented Society

Recycling of PTP Medicine Blister Packs

Since October 2023, CREATE SD has been participating in a pilot project launched exclusively in Yokohama City by Daiichi Sankyo Healthcare Co., Ltd. to collect used press-through package (PTP) medicine blister packs. By collecting used PTP sheets deposited in collection boxes installed at five CREATE SD stores, the Company is contributing to resource circulation through Japan's first initiative of its kind.

With approximately 13,000 tons of PTP sheets produced annually nationwide, this program aims to expand further and serve as a stepping stone toward a future nationwide rollout.



Recycling box

Bubble Wrap Recycling Initiative

In collaboration with Kawakami Sangyo Co., Ltd., the J.League, and Yokohama FC, CREATE SD installed collection boxes for used bubble wrap at 12 stores in Yokohama City starting in March 2024.

The collected bubble wrap is reused as raw material for new products, helping to build a recycling system in partnership with the local community.



Bubble wrap collection box



Eco Cap Initiative

Since 2006, CREATE SD has been working together with customers to collect plastic bottle caps that would otherwise be discarded as waste. The initiative began as a joint effort with local elementary schools and now uses the collected caps as raw materials for recycled products. Proceeds from their sale are donated to fund vaccines for children in developing countries. As of the end of May 2025, the program is being carried out at 112 stores, with donations made to the certified NPO Japan Committee, Vaccines for the World's Children, to help purchase vaccines such as those for polio.



Poster promoting the Eco Cap Initiative

Toward a Decarbonized Society

Installation of Solar Panels on Drug Store rooftops

As part of our efforts to reduce CO₂ emissions, we are actively promoting the installation of solar panels on the rooftops of our drug stores. As of the end of May 2025, panels have been installed at 45 stores, with an additional 30 stores scheduled for installation in the fiscal year ending May 31, 2026.

We have set a target of reducing CO₂ emissions per unit of sales floor area by 50% compared with the fiscal year ended March 31, 2015 levels by the fiscal year ended March 31, 2031, and are strengthening our decarbonization initiatives through the introduction of energy-saving equipment and other measures.

Improving Logistics Efficiency

We are also working to reduce environmental impact in our logistics operations.

In February 2025, we began operating the Sarugashima Center in Atsugi City, Kanagawa Prefecture, the largest Company-owned logistics center (three-story building, total floor area of 36,591 m², managing up to 180 stores).

In addition to handling dry goods, the center also manages deliveries of chilled products, fresh produce, meat, certain types of fish (such as salted and dried), eggs, prepared foods, and boxed lunches. By consolidating these deliveries, we are improving distribution efficiency and reducing CO₂ emissions generated during transportation.

For dry food, confectionery, soft drinks, and alcoholic beverages, the center can store roughly one week's worth of inventory for about 70% of the products handled by each relevant store, enabling it to function as part of our BCP in



Solar panels installed on store rooftop

times of emergency.

Going forward, we plan to establish and reorganize logistics hubs in line with the expansion of our store network, working to enhance productivity across the supply chain while further reducing environmental impact.



Sarugashima Center, the Company's largest logistics hub

Environment 

Information Disclosure Based on TCFD Recommendations

The CREATE SD Group has expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*, and is working to enhance information disclosure across the four areas of Governance, Strategy, Risk Management, and Metrics and Targets, with the Sustainability Promotion Committee playing a central role.



* The TCFD was established by the Financial Stability Board at the request of the G20 to study how to disclose information related to climate change and how financial institutions should respond to it.

Governance

To appropriately address the wide range of climate-related risks and opportunities and to promote sustainability throughout the CREATE SD Group, we have established a Sustainability Promotion Committee chaired by the Representative Director and President. The Sustainability Promotion Committee is responsible for determining basic sustainability policies and priority issues (materiality),

formulating and monitoring the progress of action plans that include climate change initiatives, with the Corporate Planning Department serving as the committee's secretariat and working in cooperation with relevant departments. The committee reports its deliberations and examinations to the Board of Directors as needed, and the Board manages and supervises the matters reported.

Strategy

The CREATE SD Group identifies climate-related risks and opportunities from four perspectives: policy and regulation, market, technology, and the natural environment. Referring to scenarios such as the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA) 2°C and 4°C scenarios, we are currently analyzing the impact of each

risk on our business. In addition, we are incorporating measures aimed at achieving decarbonized management—such as investing in Kanagawa Prefecture's green bonds and installing solar panels on the rooftops of our drug stores—and are formulating our strategy from a long-term perspective.

Classified Risks and Opportunities

Classification		Risks	Opportunities
Transition	Policy and regulation	Introduction of carbon tax	Increased expenditures due to carbon tax introduction Higher procurement and production costs for product raw materials
		Strengthening of fluorocarbon regulations	Increased costs associated with introducing non-fluorocarbon equipment in stores
		Strengthening of plastic regulations	Higher procurement costs for alternative raw materials
	Market	Rising electricity prices	Increased expenditures due to higher electricity prices
	Reputation	Changes in consumer behavior and preferences	Decline in brand image and sales due to delays in addressing environmental concerns
		Intensification of extreme weather events	Enhanced brand image and increased sales through development of environmentally friendly products and services
Physical	Acute	Rising average temperatures	Decrease in sales due to store closures and reduced customer traffic Increased repair costs due to store damage Suspension of product supply due to supply chain disruption
	Chronic		Increased expenditures related to air conditioning due to higher temperatures Higher procurement costs due to deterioration in raw material production

Risk Management

Climate-related risks that have been identified—such as stricter regulations, fluctuations in electricity prices, and extreme weather events—are managed by the Sustainability Promotion Committee. In addition, CREATE SD CO., LTD.,

Metrics and Targets

CO₂ Emission Reduction Targets (Scope 1 and 2)

The CREATE SD Group has set the following targets for reducing CO₂ emissions by the fiscal year ended March 31, 2031. To achieve these targets, we are promoting various

(Scope 1 and 2) CO₂ Emission Reduction Target

Target Year	Metrics and Targets
FYE March 2031	Reduce CO ₂ emissions per unit of sales floor area by 50% compared to FYE March 2015

(Scope 1 and 2) CO₂ Emission Performance

	FYE March 2015	FYE March 2025
CO ₂ emissions (t-CO ₂) 	46,129.19	79,257.28
Total sales floor area (m ²) 	302,537.4	588,878.4
CO ₂ emissions per m ² (t-CO ₂) 	0.152	0.135

the Group's main operating subsidiary, has strengthened its environmental risk management framework based on ISO 14001 certification and is implementing continuous improvement through the PDCA cycle.

initiatives, including expanding the number of stores and logistics centers equipped with rooftop solar power systems and introducing energy-saving equipment and facilities.



Society 

Social Contribution Activities



As a company that supports the health and peace of mind of local communities, we engage in a wide range of social contribution activities aimed at realizing a sustainable society. We will continue to carry out community-based initiatives through support in various fields.

Contribution to Community Healthcare and Healthy Living

Regular Consultation Sessions and Events by Pharmacists and Nutritionists

From the perspective of promoting the health and well-being of local residents, we regularly hold consultation sessions and events led by pharmacists and nutritionists. These include health counseling meetings for everyday health concerns, Baby Nutrition Consultations covering topics such as baby food and formula, and Children's Prescription Workshop events that teach proper medication use and allow children to experience the work of a pharmacist. By offering a variety of themes that meet the diverse needs of people of all ages, we aim to support the health of everyone in the community.

In addition to events organized by the Company alone, we also hold sessions sponsored by manufacturers and on-site events in collaboration with local governments, further contributing to the healthy lifestyles of local residents.



Nutritionists giving advice on baby nutrition



A child participating in a prescription workshop

Collaboration with Community Healthcare and Support for Clinic Openings

As of the end of May 2025, the CREATE SD Group operates 455 prescription drug stores. In addition to operating in-store pharmacies within drug stores, we also attract medical institutions to open within the same building or on adjacent sites, and in some cases develop multispecialty medical malls. Through these initiatives, we are building medical hubs that support community healthcare while also assisting doctors who wish to open their own clinics.

Leveraging the strong customer draw and convenience of our drug stores—which offer everything from fresh food to medical and health products—we aim to help doctors realize their

aspirations for clinic openings and their desire to contribute to community healthcare. In doing so, we contribute not only to local medical services but also to the realization of a sustainable society.

For doctors considering opening a clinic

We provide support for clinic openings and property searches. Contact us now to find out more.

Email: kaigyo@create-sd.co.jp



Scan the QR code for our clinic opening support website (in Japanese only)



Examples of Clinic Opening Support



Attracted a medical clinic to the second floor of a drug store with an in-store pharmacy



Developed a medical mall with an adjoining dedicated prescription drug store

Coexistence with Local Communities

Supporting the Yokohama Children's Hospice Project Umi to Sora no Ouchi

The CREATE SD Group supports the activities of the Yokohama Children's Hospice Project Umi to Sora no Ouchi ("the Ocean and Sky Yokohama Children's Hospice"), which provides a place where children with life-threatening illnesses or disabilities can live safely with their families and spend time playing and learning.

As an "additional home" distinct from hospitals or their own homes, Umi to Sora no Ouchi offers an environment where children can grow through play, learning, and interaction with society, while also providing emotional support for their families.

Through this initiative, we aim to help realize a society that "leaves no one behind," in line with the principles of the Sustainable Development Goals (SDGs), and to continue our efforts as a company that supports the health and daily lives of people in the community.



Umi to Sora no Ouchi

Traffic Safety Initiatives in Collaboration with the Kanagawa Prefectural Police

CREATE SD actively promotes initiatives to prevent traffic accidents with the aim of realizing a safe and secure community. As part of these efforts, on April 1, 2022, the Company signed a Cooperation Agreement on Collaboration for the Prevention of Traffic Accidents with the Kanagawa Prefectural Police. As a traffic safety awareness initiative, we created and distributed coloring sheets featuring a collaboration between the Kanagawa Prefectural Police mascot character and our Group's mascot character, to help raise safety awareness among children.

Going forward, as a "community-based drug store," we will continue initiatives that help create a community where everyone—from children to senior citizens—can live safely and securely.



Signing ceremony for the Cooperation Agreement on Collaboration for the Prevention of Traffic Accidents

Disaster Preparedness Initiatives

At CREATE SD, we have established and operate a BCP to prepare for emergencies such as natural disasters and pandemics. To fulfill our role as a lifeline for the local community even in times of disaster, we have developed response systems based on the following objectives:

- Act with the highest priority on ensuring the safety and livelihood of customers, employees, and their families.
- As a community-based drug store, strive to continue operations or resume them as quickly as possible so that local customers can shop as usual.
- As a prescription drug store providing medical services, strive to continue or promptly resume operations to ensure that prescriptions from doctors can be filled without delay.

To achieve these objectives, we have developed disaster response manuals for all stores and conduct regular training sessions. By ensuring thorough implementation of initial response procedures based on the BCP and providing employee education, we maintain stable store and pharmacy operations even during disasters.

As of May 2025, we have signed Agreements on the Supply of Daily Necessities with 24 cities, 10 towns, one village, and three other municipalities. These agreements enable us to provide essential goods to support victims in the event of a disaster. Going forward, as a member of the local community, we will continue striving to protect the daily lives of local residents.



Signing ceremony for the disaster support agreement with Yamakita Town

Human Rights Policy / Human Capital

The CREATE SD Group has identified “Creating a rewarding company that values employees” as one of its four material issues. At the foundation of this commitment lies a deep respect for human rights across all stakeholders. We place great importance on creating an environment where individuals with diverse values and backgrounds can feel secure and fully demonstrate their abilities, regardless of attributes such as gender, nationality, work history, or age.

Basic Approach

With diversity and the active participation of women positioned as key pillars of management, we are committed to fair promotion based on ability and performance, supporting career development through systematic training and job rotations, and accommodating different life stages and work styles through flexible work arrangements and enhanced employee benefits.

We also continue to improve the work environment—such as by reviewing dress code and appearance standards—to foster greater comfort and respect for individuality. Through these initiatives, we aim to continuously enhance both employee motivation for growth and corporate value, while advancing together with local communities.

Respect for Human Rights

The CREATE SD Group is firmly committed to respecting the human rights of all stakeholders.

This policy applies to all officers and employees of the Group, including contract and temporary staff. We also expect our

suppliers and other business partners throughout the supply chain to respect human rights and to avoid any involvement in human rights violations, in accordance with this policy.

Excerpt from the CREATE SD Group Human Rights Policy—Key Human Rights Issues

1. Prohibition of Forced and Child Labor

The CREATE SD Group prohibits child labor, forced labor, and human trafficking within the Group and throughout its supply chain.

2. Prohibition of Discrimination

We treat one another with mutual respect as individuals and do not discriminate based on ethnicity, race, religion, political beliefs, ideology, gender, family background, disability, or age.

3. Prohibition of Harassment

We strictly prohibit any behavior or actions that violate individual dignity—such as sexual harassment or power harassment—or any other form of harassment based on gender, authority, or position.

4. Occupational Safety and Health

We strive to maintain a safe and hygienic work environment and continuously enhance our safety, health, and wellness standards to improve productivity.

5. Freedom of Association and the Right to Collective Bargaining

We respect workers' rights to freedom of association and collective bargaining.

6. Working Hours

We manage working hours appropriately in accordance with relevant laws and regulations to ensure healthy and balanced work styles, and work to reduce overtime and excessive working hours.

7. Wages

We pay wages above the legal minimum and support the concept of a living wage. In addition, based on the principle of equal pay for equal work, we provide fair remuneration regardless of employment type—whether full-time, contract, or part-time—when job content is equivalent.

8. Protection of Privacy

We respect the right to personal privacy and do not disclose any personal or employment-related information obtained through work without the individual's explicit consent.

9. Human Rights in the Supply Chain

Recognizing that compliance with laws and respect for human rights are essential not only within the CREATE SD Group but also across our supply chain, we are committed to responsible procurement practices.

Human Resource Development Policy

Guided by our corporate motto of “humility,” the CREATE SD Group’s fundamental stance is to always think and act with others—our stakeholders—as the focus. We believe that sustainable growth can be achieved through contributing to society and earning its trust, and we therefore actively invest in human capital, recognizing employees as one of our most important management resources. Such initiatives also contribute to medium- to long-term low-cost management by helping reduce recruitment costs through the prevention of turnover. In addition, when determining store operating hours and sales promotion measures, we place great importance on ensuring a comfortable work environment, particularly for women.

To this end, we are proactively promoting women to core positions and have established a policy of appointing diverse personnel—including those of different nationalities and both new graduates and mid-career hires—to key roles.

Human Capital Initiatives

Promoting Greater Participation of Women

At our main subsidiary, CREATE SD CO., LTD., women account for 48.5% of all employees, many of whom hold professional qualifications such as pharmacists, nutritionists, and registered sales representatives. In stores and pharmacies, they play key roles in core operations such as providing guidance on the use of medical and health products, and cosmetics, offering customer consultations, and managing merchandise. Thanks to well-established systems supporting childbirth and childcare, women now make up 20.2% of managerial positions, including store and pharmacy managers.

Under our policy of promoting individuals based on their abilities and achievements, the CREATE SD Group will continue to enhance the working environment, including institutional frameworks, while implementing a variety of initiatives such as encouraging female management candidates to actively participate in internal and external training programs and study sessions. Through these initiatives, we are setting clear targets to further advance the active participation of women and increase their representation in management positions.

Indicators for Promoting Women's Participation
(CREATE SD CO., LTD. only)

Indicator	Target Year	Target Value	Result (FY2025)
Ratio of women appointed as new store and pharmacy managers	FY2031	50% or higher	37.5%
Ratio of female managers (incl. store and pharmacy managers)	FY2031	30% or higher	20.2%

Recruitment is based on ability rather than gender, nationality, work history, or age, and we seek to make long-term use of employees' varied experience and skills through job rotations and various training programs.



Promoting Employment of People with Disabilities: Special Subsidiary CREATE BEGIN

To fulfill its social responsibility as a company and to promote coexistence with local communities, CREATE SD CO., LTD. established CREATE BEGIN CO., LTD. in December 2006 as a special subsidiary under the Act to Facilitate the Employment of Persons with Disabilities, employing people with disabilities.

At CREATE BEGIN, employees with disabilities work under the support of coaches (instructors) who are certified as vocational life counselors for persons with disabilities. They are actively engaged in a variety of tasks, including store cleaning and landscaping, in-store sales support, and clerical assistance.

As of the end of May 2025, the company employed 98 people with disabilities, and the combined employment rate of people with disabilities at CREATE SD and CREATE BEGIN reached 2.92%, exceeding the statutory rate of 2.5%. The Group will continue to maintain strong partnerships with special needs schools and employment support facilities, while working toward stable and long-term employment.



Visiting Create stores in the “Hippo-chan” van



Employee Systems

Training Programs and Career Framework

The Company offers a wide range of training programs for both new graduates and mid-career hires. Training centers are located across key regions—Kanagawa, Shizuoka, Aichi, Tokyo, and Ibaraki—where systematic human resource development is carried out according to annual plans. For both career-track employees and pharmacists, we provide structured, step-by-step education programs from new hires to management-level employees. The system effectively supports skill development, as demonstrated by our medical and health product sales certificate (registered sales representative) exam pass rate of over 94%.

After joining the Company, employees typically begin as store staff and can advance through clearly defined grades and career paths—from store or pharmacy manager to headquarters staff, area manager or section manager, zone manager, and eventually department manager.

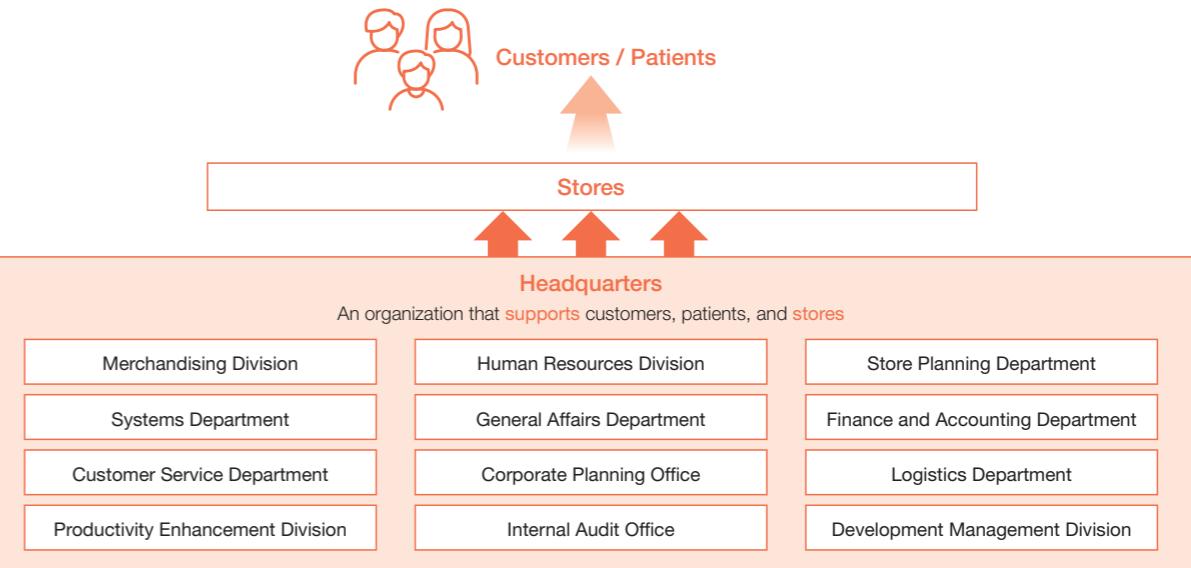
Training Programs

	First Year	Junior Employees	Mid-Level Employees	Managers
Career-Track Employees	<ul style="list-style-type: none"> Study sessions to prepare for the registered medical and health product sales representative exam First-year study sessions 	<ul style="list-style-type: none"> Health & beauty training Store management training Study sessions for registered sales representatives 	<ul style="list-style-type: none"> Training for prospective store managers Training to strengthen store management capabilities Store manager management training 	<ul style="list-style-type: none"> Customer service training for area managers
Registered Dietitian and Nutritionist Training		<ul style="list-style-type: none"> Nutritionist Challenge Map Basic study sessions Training to acquire product knowledge of health foods and how to give advice as a nutritionist Skill-building study sessions Training in consultation skills for primary prevention and different life stages, etc. 		
Pharmacists	<ul style="list-style-type: none"> Intensive in-store OTC training Basic training on OTC medical and health products, and product knowledge Prescriptions training (pre- and post-assignment) 	<ul style="list-style-type: none"> Home care training Dementia supporter training Approach to clinical judgment 	<ul style="list-style-type: none"> Health support pharmacy training Training for family and patient-oriented services Acquisition of certified pharmacist qualification Training to strengthen pharmacy management skills Pharmacy manager management training 	<ul style="list-style-type: none"> Specialized pharmacist team Acquisition of specialist or certified qualifications Training in aseptic prescription preparation
MA*	<ul style="list-style-type: none"> MA training Basic training on prescription picking 	<ul style="list-style-type: none"> Area MA study sessions Video training on home care for MAs 		
Common Programs	<ul style="list-style-type: none"> New employee training Step-up customer service training 	<ul style="list-style-type: none"> Third-year career development training 	<ul style="list-style-type: none"> Customer service training for newly appointed store and pharmacy managers Brother & Sister training 	<ul style="list-style-type: none"> Customer service training for store support staff Selective leadership training (manager candidate training)

* At CREATE SD HOLDINGS, prescription administration staff are referred to as Medical Assistants (MAs).

Headquarters Roles and Career Paths

The heart of our Company lies in our stores, where services are directly provided to customers and patients. The CREATE SD Group's headquarters is clearly positioned as an organization that supports these stores, and for that reason,



headquarters employees are referred to not as headquarters staff but as “store support staff.” These departments play a vital role in the Company’s growth, drawing on their knowledge and experience in store operations to provide specialized expertise and support.

Performance-Based Bonus and Other Evaluation Systems

Salary increases are conducted once a year, and bonuses are paid twice annually—in summer and winter. In addition, starting from the fiscal year ended May 31, 2024, we introduced a performance-based bonus system linked to the Company’s most recent financial results. We also have various recognition programs to acknowledge and reward

outstanding initiatives and achievements by store staff, such as the President’s Award, Zone Manager’s Award, and Dispensing Operations Department Award. These systems are designed to boost employee motivation and ensure that individual efforts and accomplishments are evaluated fairly and appropriately.

Enhanced Employee Benefits

Childcare Support Programs

Maternity Leave

Employees may take 42 days of leave before childbirth and 56 days after childbirth. A reduced working hours system (five hours per day) is also available during pregnancy.

Childcare Leave (100% of eligible male and female employees take this leave)

Available to both men and women, with leave permitted until the child reaches three years of age. After returning to work, employees may work reduced hours—up to five hours per day—until the end of the child’s third year of elementary school.

Flexible Work During Childcare Leave

Employees on childcare leave may work flexibly one to two days per week, supporting a smooth transition back to work.

Nursing and Family Care Leave

Leave and reduced working hour systems are also available for employees caring for sick family members or those in need of nursing care.

Days Off and Leave

- 117–120 annual holidays, with a five-day workweek (two days off per week)
- Five consecutive days of leave system (with a usage rate of over 97%)
- Paid leave can be taken in half-day increments (average of more than 11 days taken per year), and employees are also granted additional special leave.



Governance

Corporate Governance

The CREATE SD Group believes that establishing a sound and highly transparent management structure is essential for the sustainable enhancement of corporate value and the realization of medium- to long-term growth. We place strict compliance with laws and regulations and a strong sense of corporate ethics at the core of our management, while developing an effective governance system centered on the Board of Directors. At the same time, through constructive dialogue with shareholders, investors, and other stakeholders, we strive to ensure the soundness of management and improve the quality of decision-making.

Basic Approach

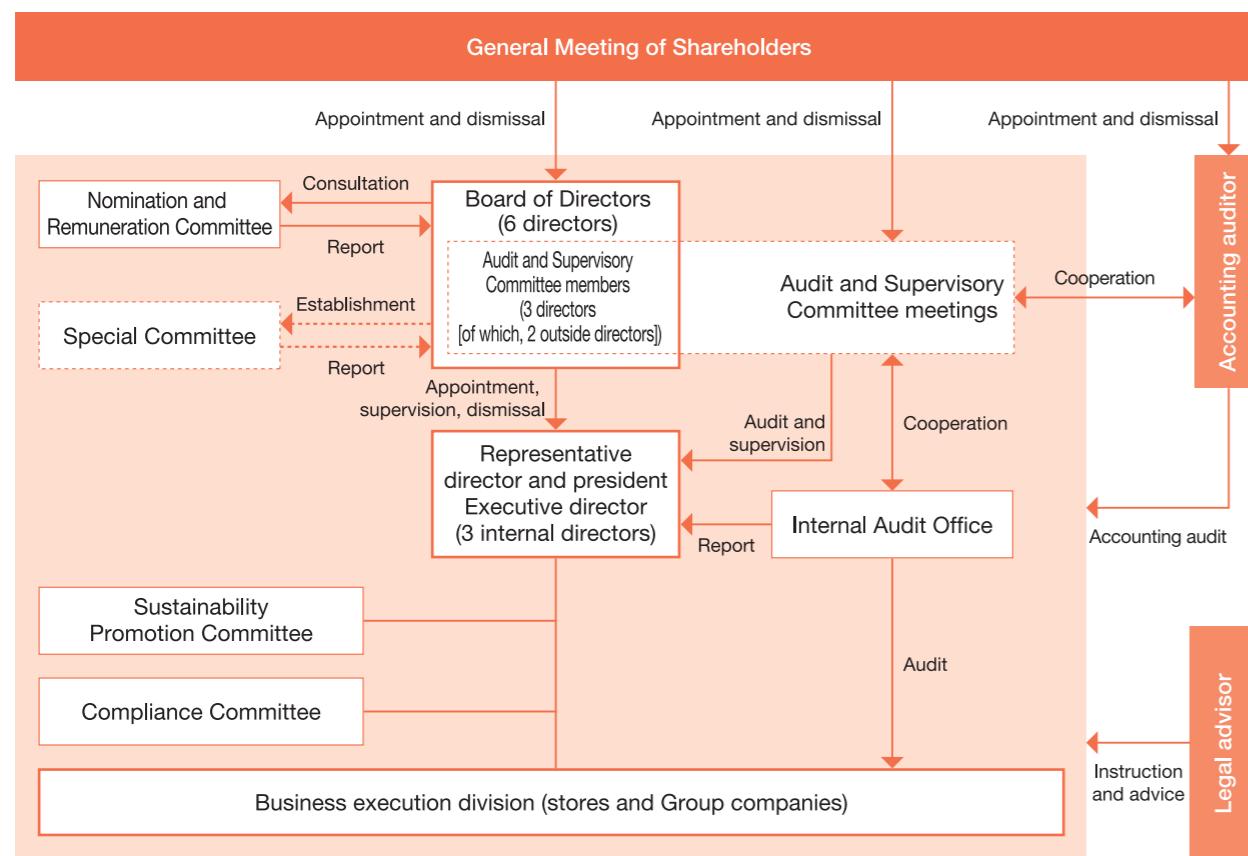
The CREATE SD Group positions strict compliance with laws and regulations and a strong sense of corporate ethics as the foundation of its management. We regard enhancing the soundness of management and achieving sustainable improvement in corporate value by responding accurately and

promptly to changes in the social and economic environment as key management priorities. Through these efforts, we aim to earn the trust of society and realize sustainable growth over the medium to long term.

Corporate Governance Structure

In August 2015, at the Ordinary General Meeting of Shareholders, the CREATE SD Group transitioned to a company with an Audit and Supervisory Committee. This

move strengthened the supervisory function of the Board of Directors and enhanced transparency in the execution of business operations.



Board of Directors

Board of Directors

The Board of Directors consists of six members, including two outside directors.

Number of meetings held	19
Overview	The Board consists of six directors, including two outside directors.
Main agenda items ^{*1}	(Resolutions) Approval of contracts related to land and building leases; purchase of land and buildings; approval of store openings, closures, and renovations; election of representative directors and directors with specific titles; allocation of director compensation; organizational revisions; approval of key personnel transfers; amendments to internal regulations; approval of budget plans; approval of agenda items and convocation notices for the Ordinary General Meeting of Shareholders; approval of financial results summaries; dividends; and approval of continued enrollment in directors and officers liability insurance, among others. (Reports) Reports on the business performance of Group companies; contracts related to land and building leases; progress reports on store opening plans; and reports on the operation of internal control systems, among others.
	<small>*1 The Company's directors also attend meetings of the Board of Directors of the main operating subsidiary, CREATE SD CO., LTD. Accordingly, the above agenda items include matters discussed at those meetings as well.</small>

In principle, regular Board meetings are held once a month, and extraordinary meetings are convened as necessary to ensure prompt and appropriate decision-making.

Attendance at Board of Directors' Meetings

Position	Name	No. of Meetings Attended	Attendance Rate
Representative Director and Chairman	Hisao Yamamoto	19	100.0%
Representative Director and President	Taizo Hirose	19	100.0%
Director	Yukihiko Takiya	19	100.0%
Director	Shuichi Baniwa ^{*2}	19	100.0%
Director	Yukio Hara ^{*2} (Outside Director)	19	100.0%
Director	Yoko Anpo (Outside Director)	19	100.0%

Note: FYE May 2025

Overview of Committees and Other Bodies

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three members, one full-time and two part-time. In addition to holding regular committee meetings once a month, extraordinary meetings are convened as necessary to ensure the timeliness and efficiency of audits. The two part-time members are independent outside directors with no risk of conflicts of interest with general shareholders, thereby ensuring fairness and transparency.

Furthermore, at the regularly held Three-Party Audit Meetings, the Audit and Supervisory Committee, accounting auditor, and Internal Audit Office share information and strengthen collaboration.

Number of Audit and Supervisory Committee Meetings and Attendance

Position	Name	No. of Meetings Attended	Attendance Rate
Full-Time Audit and Supervisory Committee Member	Shuichi Baniwa ^{*2}	18	100%
Audit and Supervisory Committee Member	Yukio Hara ^{*2}	18	100%
Audit and Supervisory Committee Member	Yoko Anpo	18	100%

Note: FYE May 2025

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is composed of three or more members appointed by resolution of the Board of Directors, with a majority of the members and the chairperson being independent outside directors. The committee met twice during the year to deliberate and review matters such as the basic policy for the nomination of directors, preparation of proposals for appointment and reappointment, the basic policy on director remuneration, and the process for determining remuneration. The results of these discussions were reported to the Board of Directors.

Attendance at Nomination and Remuneration Committee Meetings

Position	Name	No. of Meetings Attended	Attendance Rate
Independent Outside Director	Yukio Hara ^{*2} (Chairperson)	2	100.0%
Independent Outside Director	Yoko Anpo	2	100.0%
Representative Director and President	Taizo Hirose	2	100.0%

Note: FYE May 2025

Special Committee

When conducting important transactions that may pose a conflict of interest between the controlling shareholder and minority shareholders, a Special Committee composed of independent members (including two independent outside directors) is established as necessary prior to a resolution of the Board of Directors. The committee deliberates and reviews matters such as the necessity, reasonableness, and fairness of the transaction terms, and reports its findings to the Board of Directors.

Sustainability Promotion Committee

The Sustainability Promotion Committee, established in November 2021, is chaired by the president and representative director and administered by the Corporate Planning Department, which serves as its secretariat. The committee formulates and manages progress on basic policies and action plans related to sustainability issues such as climate change, and reports its activities to the Board of Directors on a regular basis.

^{*2} Shuichi Baniwa and Yukio Hara retired upon the expiration of their terms of office at the conclusion of the 28th Ordinary General Meeting of Shareholders for the fiscal year ended May 31, 2025.





Evaluation of the Effectiveness of the Board of Directors

In order to ensure and further enhance the effectiveness of the Board of Directors, the Company has directors periodically conduct self-evaluations in the form of a questionnaire regarding the composition, operation, fulfillment of responsibilities, and support system of the Board of Directors, and the responses are compiled and analyzed

before the Board of Directors evaluates its effectiveness. As a result of the most recent effectiveness analysis and evaluation, while reaffirming the need for more thorough discussion of medium- to long-term management issues, the Company confirmed that the Board of Directors is generally functioning appropriately and its effectiveness is ensured.

Executive Remuneration

Basic Policy on Executive Remuneration

The remuneration system for directors aims to improve medium- to long-term corporate value, maximize profitability and efficiency, as well as secure excellent human resources who will further improve corporate governance. The remuneration, etc., for directors is determined using published data from external specialist institutions, etc., taking into account the remuneration levels of other companies in the same industry and in different industries. Specifically, the remuneration, etc., for directors other than those who are Audit and Supervisory Committee members consists of fixed monthly remuneration, as well as performance-linked remuneration (bonus) based on the Company's performance of medium-term business years. By linking a certain percentage of remuneration to medium-term performance rather than short-term performance, it functions as an incentive for sustainable growth.

Remuneration Structure

The remuneration for directors (excluding those who are Audit and Supervisory Committee members) is composed of the following elements, within the total remuneration limit approved by the General Meeting of Shareholders. Directors who are Audit and Supervisory Committee members receive only fixed remuneration, in consideration of their role and independence.

Fixed Remuneration (Base Remuneration)

Fixed monetary remuneration is paid monthly, calculated by dividing the annual remuneration amount by 12, and is determined by taking into consideration the public average and the level of the Company's employees' salaries, etc., and comprehensively taking into account their position, years of service, contributions, etc.

Performance-Linked Remuneration (Bonus)

Since directors hold Company stock through an executive stock ownership plan and other vehicles, and aim for the Company's sustainable growth from the same perspective as shareholders, stock-based remuneration, etc., will not be implemented, and performance-linked remuneration will be monetary remuneration (bonus) as well.

The bonus amount will be determined by taking into account each director's contribution and job performance status to the standard amount set for each position, while referring to the figures in the financial statements for the medium-term business years, such as consolidated operating profit.

Determination of Remuneration Ratios

The ratio of fixed remuneration to bonuses is determined as needed following deliberation by the Nomination and Remuneration Committee, with reference to examples from other companies and the Company's performance.

Matters Related to Resolutions at the General Meeting of Shareholders

At the 18th Ordinary General Meeting of Shareholders held on August 21, 2015, it was resolved that the total annual remuneration for directors (excluding those who are Audit and Supervisory Committee members) shall not exceed 400 million yen, and that for directors who are Audit and Supervisory Committee members shall not exceed 40 million yen per year. At the conclusion of the said meeting, the number of directors (excluding those who are Audit and Supervisory Committee members) was six, and the number of directors who are Audit and Supervisory Committee members was three.

Total Consolidated Remuneration by Officer Category

Position	Total Remuneration (million yen)	Breakdown of Remuneration by Type (million yen)		No. of Eligible Directors
		Fixed Remuneration	Performance-Linked Remuneration	
Directors (excluding Audit and Supervisory Committee members and outside directors)	238	169	69	4
Directors (Audit and Supervisory Committee members, excluding outside directors)	8	8	—	1
Directors (Audit and Supervisory Committee members, outside directors)	11	11	—	2

Note: FYE May 2025

Constructive Dialogue Between the Board of Directors and Shareholders

The Company places great importance on constructive dialogue with shareholders and strives to provide timely and appropriate information disclosure as well as improve accessibility. For the 28th Ordinary General Meeting of Shareholders, the notice of convocation was mailed 15 days prior to the meeting date. The content was published simultaneously in Japanese and English on the Company's website seven days before mailing, and on the TSE website six days before mailing, ensuring the early disclosure of information. In addition, by enabling the use of electronic voting, the Company has created an environment that allows shareholders to exercise their voting rights more smoothly.

Furthermore, we are proactively disclosing information and collecting opinions from shareholders who are unable to attend the General Meeting of Shareholders by improving our website, sending out a shareholder newsletter twice a year, and adding a space for comments on the shareholder benefit request change postcard.

As part of its IR activities, the Company holds financial results briefings for institutional investors every six months and individual IR meetings every quarter, where we explain and engage in dialogue regarding our performance and policies, while paying attention to the management of insider information and the concept of fair disclosure.

Risk Management Framework

Compliance Committee

The CREATE SD Group has established a compliance framework based on its Code of Conduct to ensure adherence to laws, social norms, and ethics, and to fulfill its social responsibilities as a listed corporate group. The Compliance Committee meets quarterly (four times a year) to regularly review the operation of this framework and to identify and address issues at an early stage. The committee is chaired by the president and representative director, and its members include directors (including Audit and Supervisory Committee members), the presidents of each Group company, and the heads of relevant departments.

Internal Reporting System

The Company has established Whistleblowing Regulations and set up an Employee Consultation Desk at each Group company, where employees can seek advice or report concerns anonymously. The content of reports and the status of responses are regularly reported to and reviewed by the

Compliance Committee. In addition, contact information for the consultation desk is posted at each workplace to raise awareness of the system, and the Company promotes sound operation of the framework with due consideration for the protection of whistleblowers.

Basic Policy on Information Security

The CREATE SD Group regards ensuring information security as one of its key priorities for conducting business activities in a proper and efficient manner. To protect the information assets it handles in the course of its operations, the Group has established a Basic Policy on Information Security and promotes security measures based on this policy, while regularly evaluating and reviewing related regulations. Furthermore, the Group is committed to the continuous improvement of its information security management in response to the latest internal and external developments and changes in the operating environment.

Basic Principles of the Basic Policy on Information Security

1. The CREATE SD Group complies with this policy and the separately established Personal Information Protection Policy.
2. The CREATE SD Group complies with all relevant laws, external regulations, and rules related to information security, and appropriately manages its information assets.
3. The CREATE SD Group establishes an information security framework and implements measures to prevent information leaks, falsification, unauthorized access, and other security breaches.
4. To ensure ongoing information security, the CREATE SD Group continuously carries out necessary initiatives such as thorough employee training, development and retention of qualified personnel, and appropriate supervision of business partners.
5. The CREATE SD Group formulates implementation plans for risk-based measures and maintains a PDCA process to facilitate continuous improvement.

Governance

Directors and Skills Matrix



Directors

(As of August 31, 2025)			
Hisao Yamamoto Representative Director and Chairman Attendance at Board of Directors' meetings 19 / 19 (100%)	May 1983 Representative Director and President, Midori Drugstore, Limited (currently CREATE SD CO., LTD.) April 1998 Founded Yamamoto, Limited (currently CREATE SD HOLDINGS CO., LTD.) Representative Director and President August 2002 Representative Director and Chairman, CREATE SD CO., LTD. (current position) October 2008 Representative Director and Chairman of the Company (current position)	Reasons for Appointment Hisao Yamamoto has led the Group's business and appropriately directed and supervised its management since the establishment of CREATE SD CO., LTD., the Group's major operating company, including laying the foundation for suburban drug stores. He has been appointed so that he will continue to apply his experience, knowledge, and abilities to the sustainable growth of the Group and the enhancement of its corporate value.	
Taizo Hirose Representative Director and President Attendance at Board of Directors' meetings 19 / 19 (100%)	December 1990 Founded Koei Drug Co., Ltd. Representative Director and President January 2007 Representative Director and Vice President, Sumisho Drugstores Inc. October 2007 President and Representative Director, Sumisho Drugstores Inc. June 2011 Joined CREATE SD CO., LTD. August 2011 Director, CREATE SD CO., LTD. Director of the Company February 2012 Director and Vice President of the Company Director and Vice President, CREATE SD CO., LTD. August 2012 Representative Director and President of the Company (current position) Representative Director and President, CREATE SD CO., LTD. Director, SALONDAY CO., LTD. August 2013 Director, WELL LIFE CO., LTD. September 2023 Director, CREATE SD CO., LTD. (current position)	Reasons for Appointment Taizo Hirose has long been involved in corporate management within the drug store and prescription drug store businesses. As Representative Director and President of the Company and of CREATE SD CO., LTD., he has demonstrated leadership in the formulation of management visions and the planning and execution of management strategies. He has been appointed so that he will continue to apply his experience, knowledge, and abilities to the sustainable growth of the Group and the enhancement of its corporate value.	
Yukihiko Takiya Director Attendance at Board of Directors' meetings 19 / 19 (100%)	May 1989 Joined Midori Drugstore, Limited (currently CREATE SD CO., LTD.) September 2002 Zone Manager, CREATE SD CO., LTD. December 2009 Chair, Central Executive Committee of the Union, CREATE SD CO., LTD. December 2020 Special Assistant to the Representative Director and President, CREATE SD CO., LTD. June 2021 Executive Officer and General Manager of Store Operations Division, CREATE SD CO., LTD. August 2022 Director and General Manager of Store Operations Division, CREATE SD CO., LTD. September 2023 Representative Director and President and General Manager of Store Operations Division, CREATE SD CO., LTD. (current position) August 2024 Director, YURIGAOKA SANGYOU CO., LTD. (current position)	Reasons for Appointment Yukihiko Takiya has long been involved in developing business operations, improving business activities, and controlling and supervising worksites at CREATE SD CO., LTD., the Group's major operating company. As the company's Union representative, he has listened to employee views and worked to improve labor conditions. Today, as the Representative Director and President, he is applying his skills to manage and control the business. He has been appointed so that he will apply his experience, knowledge, and abilities to the sustainable growth of the Group and the enhancement of its corporate value.	
Takaaki Saegusa Director (Audit and Supervisory Committee Member) New Appointment	April 1981 Joined The Daiei, Inc. September 2000 General Manager, Legal Affairs Department, The Daiei, Inc. May 2004 General Manager, Compliance & Legal Department, The Daiei, Inc. January 2009 Joined CREATE SD CO., LTD. February 2009 Executive Officer and General Manager of General Affairs Department of the Company April 2009 Director, WELL LIFE CO., LTD. May 2010 Executive Officer and Head of Internal Audit Office, CREATE SD CO., LTD. June 2010 Representative Director and President, SALONDAY CO., LTD. March 2011 Director and Head of Internal Audit Office, CREATE SD CO., LTD. April 2016 Executive Officer and General Manager of Nursing Care Business Division of the Company February 2020 Audit & Supervisory Board Member, YURIGAOKA SANGYOU CO., LTD. August 2021 Director, SALONDAY CO., LTD.	Reasons for Appointment Takaaki Saegusa, based on his long experience in the retail industry, has held responsibility for the Group's General Affairs Department, Internal Audit Office, and Nursing Care Business Division, and has otherwise demonstrated strong leadership in management and supervision of the Group as an executive at subsidiaries, including as Representative Director and President of SALONDAY CO., LTD. He has been appointed as an Audit and Supervisory Committee member so that he will continue to apply his experience, knowledge, and abilities to the sustainable growth of the Group and the enhancement of its corporate value.	
Yoko Anpo Director (Audit and Supervisory Committee Member) Outside Independent Attendance at Board of Directors' meetings 19 / 19 (100%)			
Makoto Ueda Director (Audit and Supervisory Committee Member) New Appointment Outside Independent Attendance at Board of Directors' meetings 19 / 19 (100%)			
Reasons for Appointment In addition to acquiring experience in the private sector as a systems engineer, Yoko Anpo possesses expertise and experience developed as a pharmacist and attorney at law, as well as experience and achievements gained in corporate management as an auditor at other companies. She therefore contributes to the maintenance and enhancement of governance from an independent standpoint. She has been appointed as an outside director who is an Audit and Supervisory Committee member so that she will continue to apply her expertise, experience, knowledge, and abilities to the sustainable growth of the Group and the enhancement of its corporate value.			
Reasons for Appointment Drawing on a wealth of experience and knowledge gained in the retail sector, Makoto Ueda is expected to offer advice and recommendations in the managerial judgment and decision-making processes of the Company, as well as to contribute to the maintenance and enhancement of governance from an independent standpoint. He has been appointed as an outside director who is an Audit and Supervisory Committee member so that he will apply his extensive knowledge, experience, and abilities to the sustainable growth of the Group and the enhancement of its corporate value.			

Skills Matrix of Directors

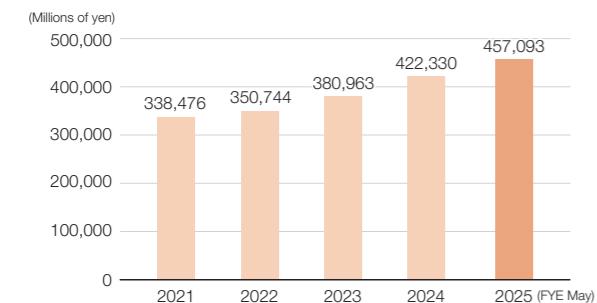
Name	Title	Gender	Expertise and Experience						
			Management	Sales and Marketing	Finance and Accounting	Legal Affairs and Risk Management	Human Resources and Labor Affairs	Healthcare	IT
Hisao Yamamoto	Representative Director and Chairman	Male	●	●				●	
Taizo Hirose	Representative Director and President	Male	●	●					●
Yukihiko Takiya	Director	Male	●	●				●	
Takaaki Saegusa	Director, Audit and Supervisory Committee Member	Male	●		●		●		
Yoko Anpo	Outside Director, Audit and Supervisory Committee Member	Female				●		●	●
Makoto Ueda	Outside Director, Audit and Supervisory Committee Member	Male	●	●				●	

Financial and Non-Financial Highlights

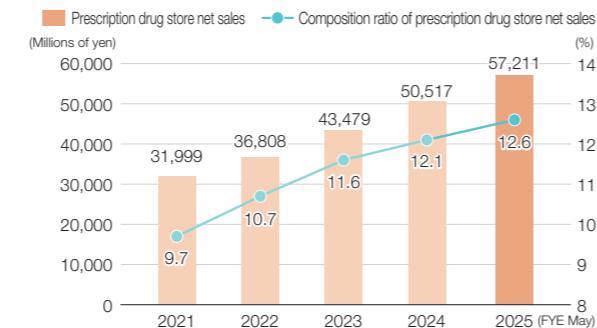


Financial Highlights

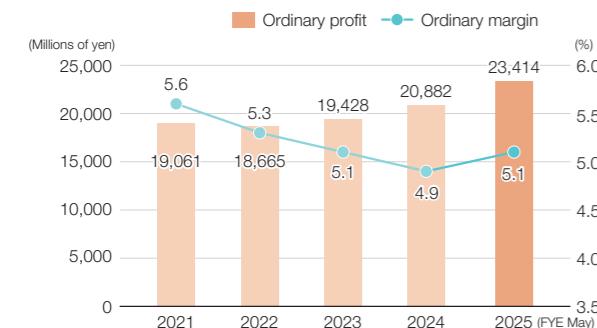
Net sales
FYE May 2025: **¥457,093 million**



Prescription drug store net sales / Composition ratio of prescription drug store net sales
FYE May 2025: **¥57,211 million / 12.6%**



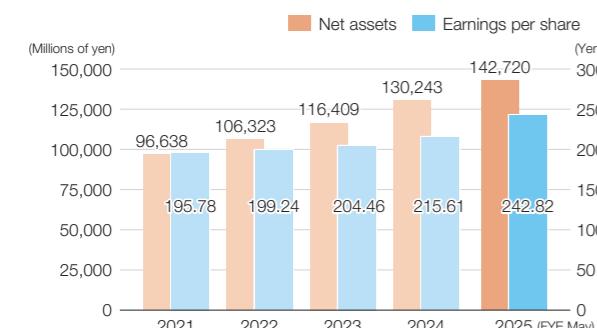
Ordinary profit / Ordinary margin
FYE May 2025: **¥23,414 million / 5.1%**



ROE / Equity ratio
FYE May 2025: **11.5% / 60.3%**



Net assets / Earnings per share
FYE May 2025: **¥142,720 million / ¥242.82**

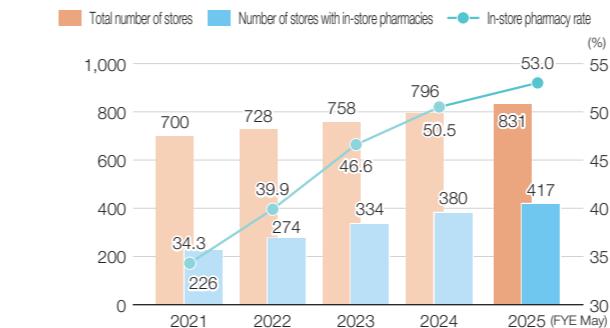


Annual dividend per share / Dividend payout ratio
FYE May 2025: **¥78 / 32.1%**

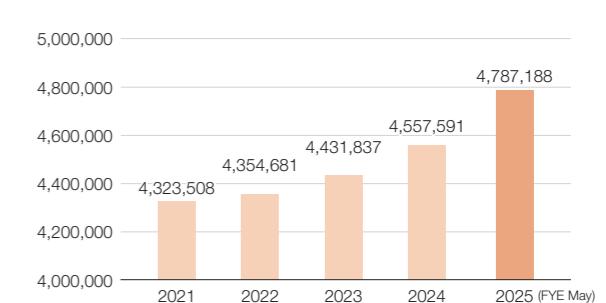


Non-Financial Highlights

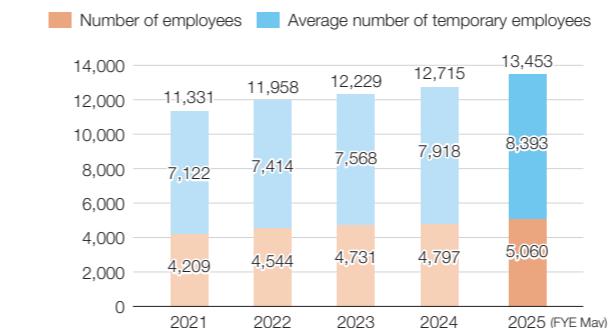
Total number of stores / Number of stores with in-store pharmacies / In-store pharmacy rate
FYE May 2025: **831 stores / 417 stores / 53.0%**



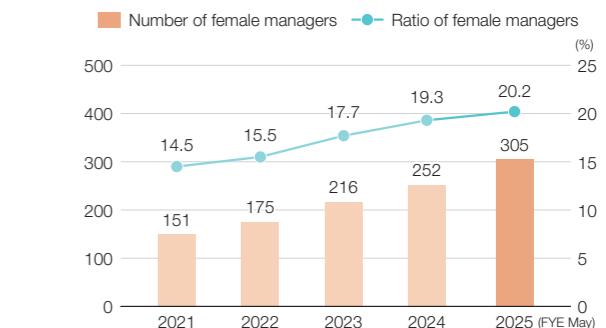
Number of active memberships per year
FYE May 2025: **4,787,188**



Number of employees / Average number of temporary employees
FYE May 2025: **5,060 / 8,393**



Number of female managers / Ratio of female managers
FYE May 2025: **305 / 20.2%**



Financial and Non-Financial Data



	FYE May 2016	FYE May 2017	FYE May 2018	FYE May 2019	FYE May 2020	FYE May 2021	FYE May 2022	FYE May 2023	FYE May 2024	FYE May 2025
Operating Results										
Net sales (million yen)	231,892	247,341	268,161	286,299	319,588	338,476	350,744	380,963	422,330	457,093
Gross profit (million yen)	63,423	68,149	73,681	78,953	88,986	93,365	95,578	102,987	110,187	119,220
Selling, general and administrative expenses (million yen)	49,469	53,707	59,819	64,711	71,192	74,735	77,402	84,075	89,959	96,594
Depreciation and amortization (including goodwill amortization) (million yen)	2,885	2,907	3,200	3,407	3,521	3,655	3,822	4,195	4,847	5,436
Operating profit (million yen)	13,954	14,441	13,861	14,241	17,793	18,629	18,176	18,912	20,227	22,625
Operating margin (%)	6.0	5.8	5.2	5.0	5.6	5.5	5.2	5.0	4.8	4.9
Ordinary profit (million yen)	14,314	14,768	14,236	14,623	18,210	19,061	18,665	19,428	20,882	23,414
Ordinary margin (%)	6.2	6.0	5.3	5.1	5.7	5.6	5.3	5.1	4.9	5.1
Profit attributable to owners of parent (million yen)	9,274	10,119	9,540	9,719	12,254	12,376	12,595	12,925	13,691	15,685
Financial Position at Fiscal Year-End										
Total assets (million yen)	99,334	110,480	121,412	133,315	153,423	163,824	176,910	194,941	216,481	236,561
Net assets (million yen)	53,585	61,901	69,377	76,889	86,776	96,638	106,323	116,409	130,243	142,720
Equity ratio (%)	53.9	56.0	57.1	57.7	56.6	59.0	60.1	59.7	60.2	60.3
ROE (%)	18.6	17.5	14.5	13.3	15.0	13.5	12.4	11.6	11.1	11.5
Cash Flows										
Cash flows from operating activities (million yen)	11,843	12,878	11,302	13,435	22,765	11,572	16,101	18,985	21,034	23,625
Cash flows from investing activities (million yen)	(4,282)	(10,814)	(4,648)	(10,656)	(10,507)	(10,424)	(10,808)	(20,491)	(20,207)	(20,700)
Cash flows from financing activities (million yen)	(1,475)	(1,896)	(2,170)	(2,212)	(3,053)	(2,655)	(2,908)	(3,034)	(140)	(3,390)
Per Share Information										
Earnings per share (Yen)	146.71	160.07	150.92	153.75	193.85	195.78	199.24	204.46	215.61	242.82
Net assets per share (Yen)	847.61	979.17	1,097.42	1,216.24	1,372.65	1,528.64	1,681.84	1,841.39	2,027.07	2,209.23
Dividends per share (Yen)	26.7	31.0	34.0	36.0	40.0	44.0	46.0	52.0	64.0	78.0
Dividend payout ratio (%)	18.2	19.4	22.5	23.4	20.6	22.5	23.1	25.4	29.7	32.1
Non-Financial Data										
Total number of stores	502	541	595	634	664	700	728	758	796	831
Number of drug stores	471	509	559	599	625	659	686	717	752	787
Number of stores with in-store pharmacies	111	125	149	173	196	226	274	334	380	417
Number of dedicated prescription drug stores	31	32	36	35	34	36	37	36	38	38
In-store pharmacy rate (%)	23.6	24.6	26.7	28.9	31.4	34.3	39.9	46.6	50.5	53.0
Number of employees (excluding partner-san and part-timer-san)	2,717	2,997	3,252	3,468	3,749	4,209	4,544	4,731	4,797	5,060
Average number of temporary employees (partner-san and part-timer-san)	4,849	5,338	5,813	6,152	6,792	7,122	7,414	7,568	7,918	8,393
Ratio of female managers (including store and pharmacy managers) (%)	11.9	11.8	12.5	13.2	13.4	14.5	15.5	17.7	19.3	20.2

Notes:

1. On December 16, 2015, the Company conducted a three-for-one stock split of its common stock. 2. The total number of stores includes one supermarket and five fresh produce stores.

3. The average number of temporary employees (partner-san and part-timer-san) is calculated on an eight-hour equivalent basis.

Corporate and Stock Information

Corporate Information

(As of May 31, 2025)

Company name	CREATE SD HOLDINGS CO., LTD.
Head office	2-3-2 Edanishi, Aoba-ku, Yokohama, Kanagawa 225-0014, Japan
Email	hdinfo@create-sd.co.jp
Established	April 13, 1998
Share capital	1 billion yen (as of May 31, 2025)
Representative	Hisao Yamamoto, Representative Director and Chairman Taizo Hirose, Representative Director and President
Business description	Formulation of management strategies and management control for Group companies engaged in drug store, prescription drug store, nursing care, and related businesses
Consolidated net sales	457,093 million yen (fiscal year ended May 31, 2025)
Number of Group employees	5,060 (excluding <i>partner-san</i> and <i>part-timer-san</i>)
Corporate website	https://www.createsdhd.co.jp/English/English2/tabid/133/Default.aspx



List of Group Companies

● Consolidated Subsidiaries

CREATE SD CO., LTD.

Established: May 1983
Share capital: 1,305.74 million yen
Business description: Operation of drug stores and prescription drug stores; sales of medical and health products, medical devices, health foods, cosmetics, baby products, daily necessities, pet supplies, food products, and other items
Head office: 2-3-2 Edanishi, Aoba-ku, Yokohama, Kanagawa 225-0014, Japan

WELL LIFE CO., LTD.

Established: February 1987
Share capital: 100 million yen
Business description: Operation of paid assisted living facilities and related businesses
Head office: 2-16-1 Sano, Adachi-ku, Tokyo 121-0053, Japan

SALONDAY CO., LTD.

Established: June 2010
Share capital: 35 million yen
Business description: Operation of SALONDAY, a rehabilitation-type adult day care service; operation of CREATE SD Nursing Care Support Center, a home care support service
Head office: 2-3-2 Edanishi, Aoba-ku, Yokohama, Kanagawa 225-0014, Japan

YURIGAOKA SANGYOU CO., LTD.

Established: April 1960
Share capital: 50 million yen
Business description: Sales of general food and daily necessities
Head office: 1-9-10 Edanishi, Aoba-ku, Yokohama, Kanagawa 225-0014, Japan

● Non-Consolidated Subsidiaries

CREATE BEGIN CO., LTD.

Established: December 2006
Share capital: 20 million yen
Business description: Cleaning and landscaping services for stores and other facilities; sales support services for stores; clerical support and related operations
Head office: 2-3-2 Edanishi, Aoba-ku, Yokohama, Kanagawa 225-0014, Japan

Esta CO., LTD.

Established: November 2004
Share capital: 50 million yen
Business description: Planning and development of private brand products
Head office: 2-3-2 Edanishi, Aoba-ku, Yokohama, Kanagawa 225-0014, Japan

Stock Information

(As of May 31, 2025)

Total authorized shares	264,000,000 shares
Total issued shares	66,819,342 shares
Number of shareholders	26,936
Fiscal year-end	May 31
Stock exchange listing	Tokyo Stock Exchange, Prime Market
Securities code	3148
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

Major Shareholders (Top 10)

Shareholder Name	Number of Shares Held	Shareholding Ratio (%)
Yohei Yamamoto	18,534,672	28.69
Hisao Yamamoto	13,973,565	21.63
The Master Trust Bank of Japan, Ltd. (trust account)	4,235,800	6.55
Itsuko Yamamoto	3,136,065	4.85
CEP LUX-ORBIS SICAV	2,060,882	3.19
PALTAC CORPORATION	1,702,800	2.63
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	1,520,372	2.35
THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND	1,269,500	1.96
CREATE SD Employees Stock Ownership Association	1,019,000	1.57
Ueda Yagi Tanshi Co., Ltd.	818,800	1.26

Shareholding Composition

(As of May 31, 2025)

