



CREATE S-D CO., LTD.
– Suburban super drugstore pioneer –



***FY2008 (6/07-5/08) Results Explanatory Meeting
July 24, 2008***

The earnings forecasts appearing in this material are based on the business environment at the present time, and there is the possibility that actual earnings may differ from forecasts for various reasons. Furthermore, only inquiries in Japanese are handled. Inquiries should be direct to Mr. Nakaura or Mr. Ohno (045-974-3816) in the Corporate Planning Office.

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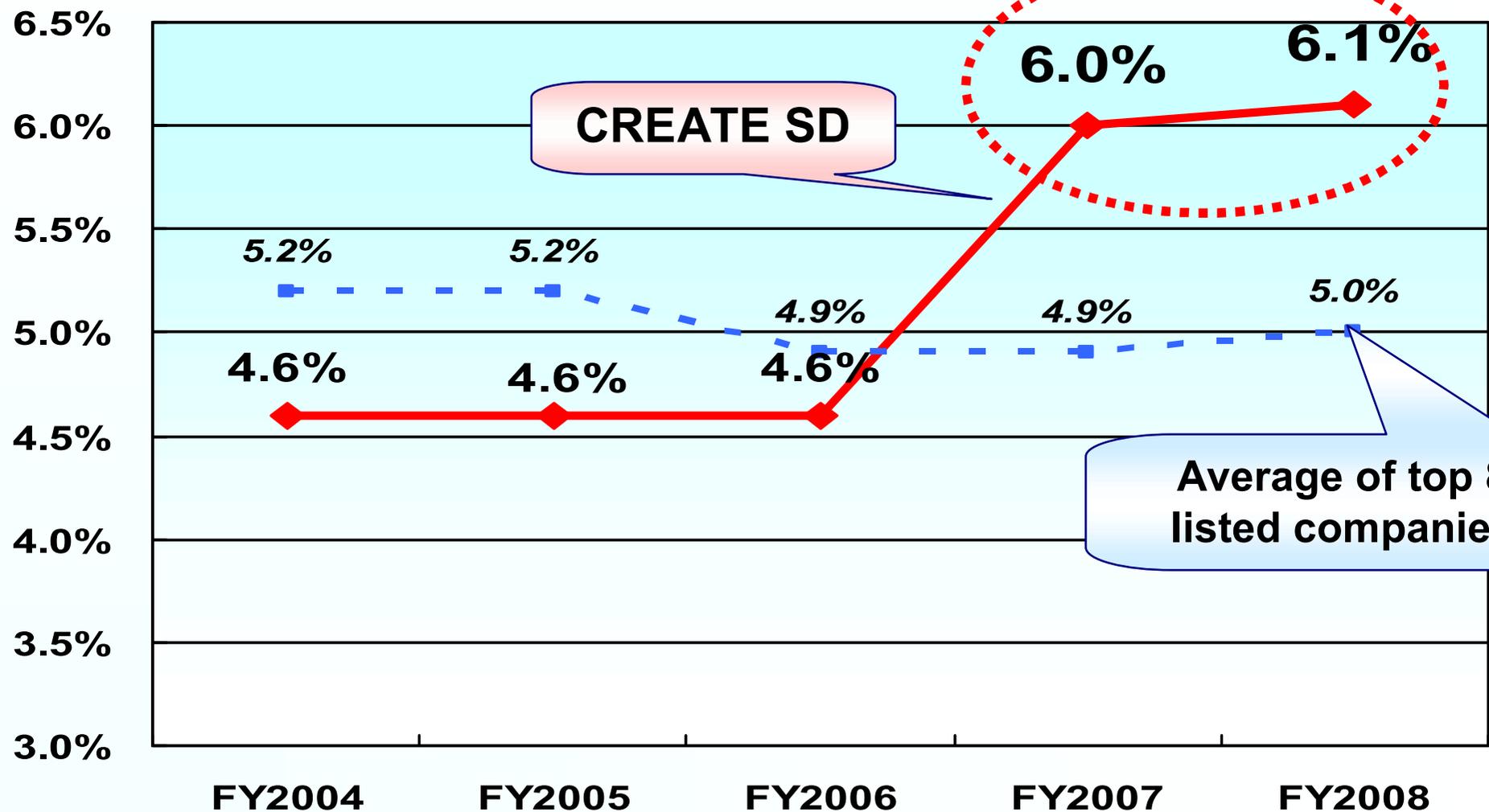
I. FY2008 Results

II. FY2008 Efforts

**III. FY2009 Forecasts,
Future Issues and Direction**

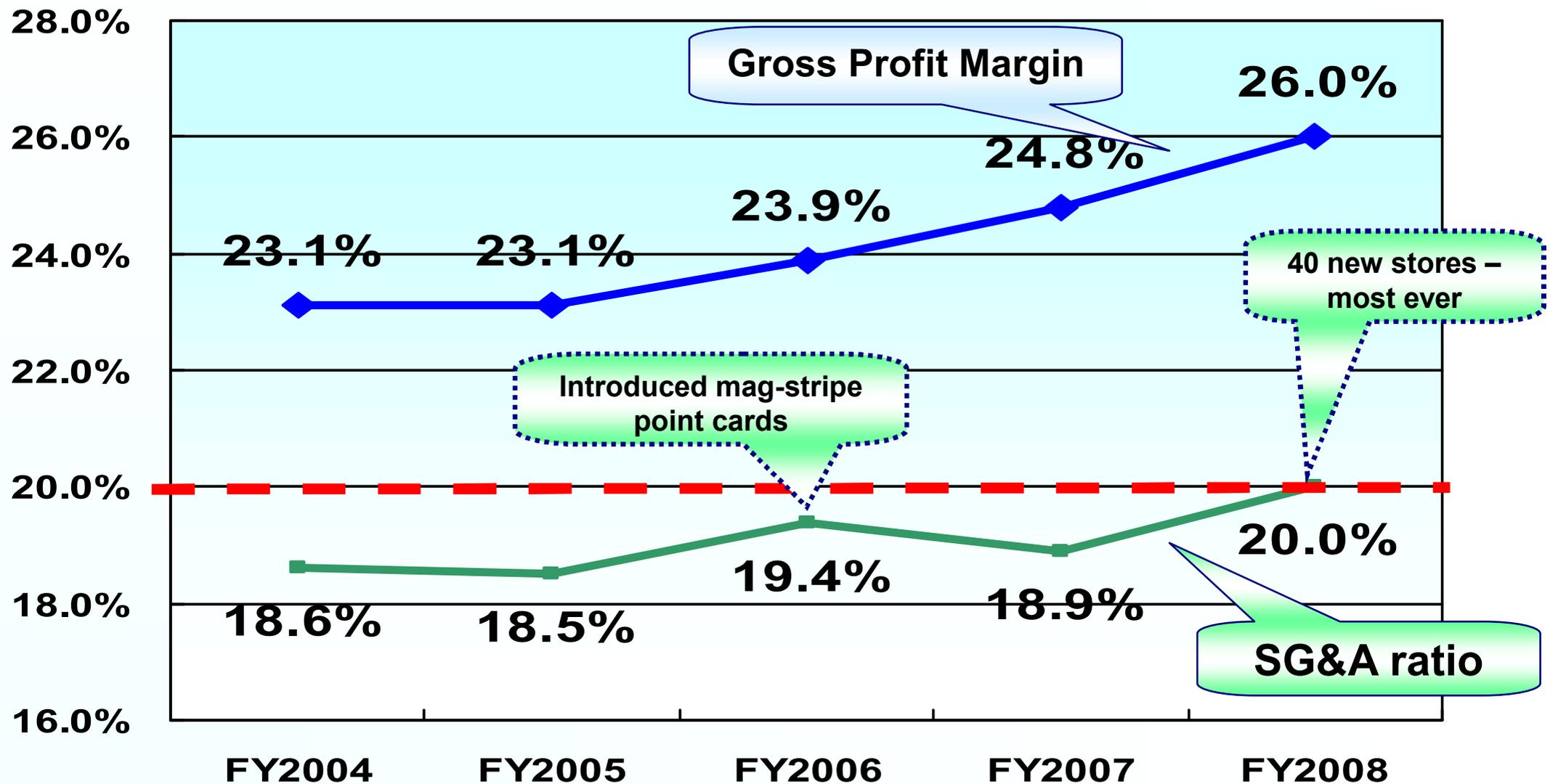
Maintained industry-leading recurring profit ratio of 6.0%

Since FY 2007, there has been massive improvement from the prior level of 4.6%.
Maintained 6.0% level for two years
We have greatly exceeded the average for the top 8 listed companies



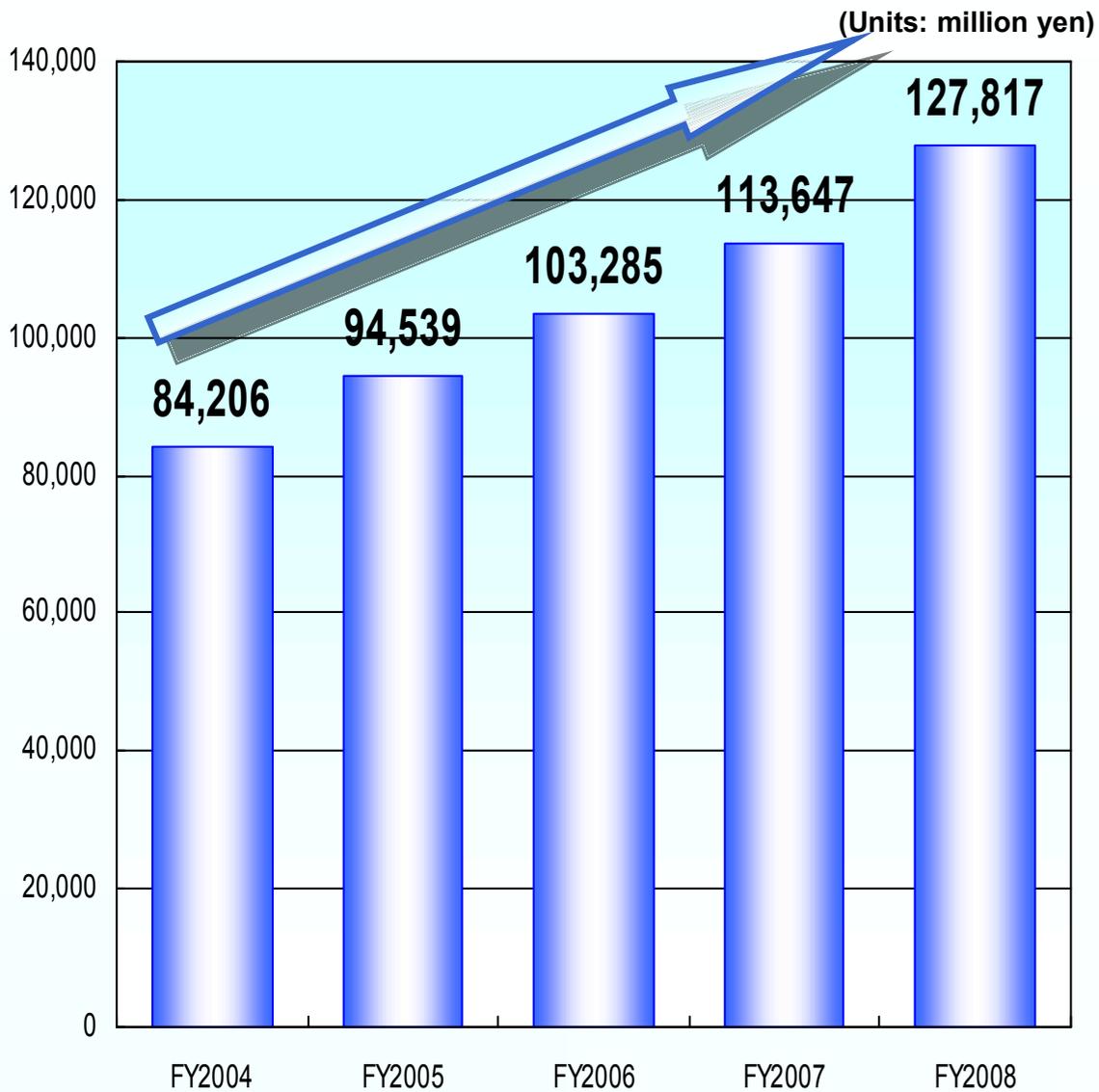
As gross margin ratio **continues to improve**, reached **26.0%** for FY2008
Hold down SG&A ratio to **no more than 20.0%**

Result of work standardization, without flier promotions or excessive price lowering

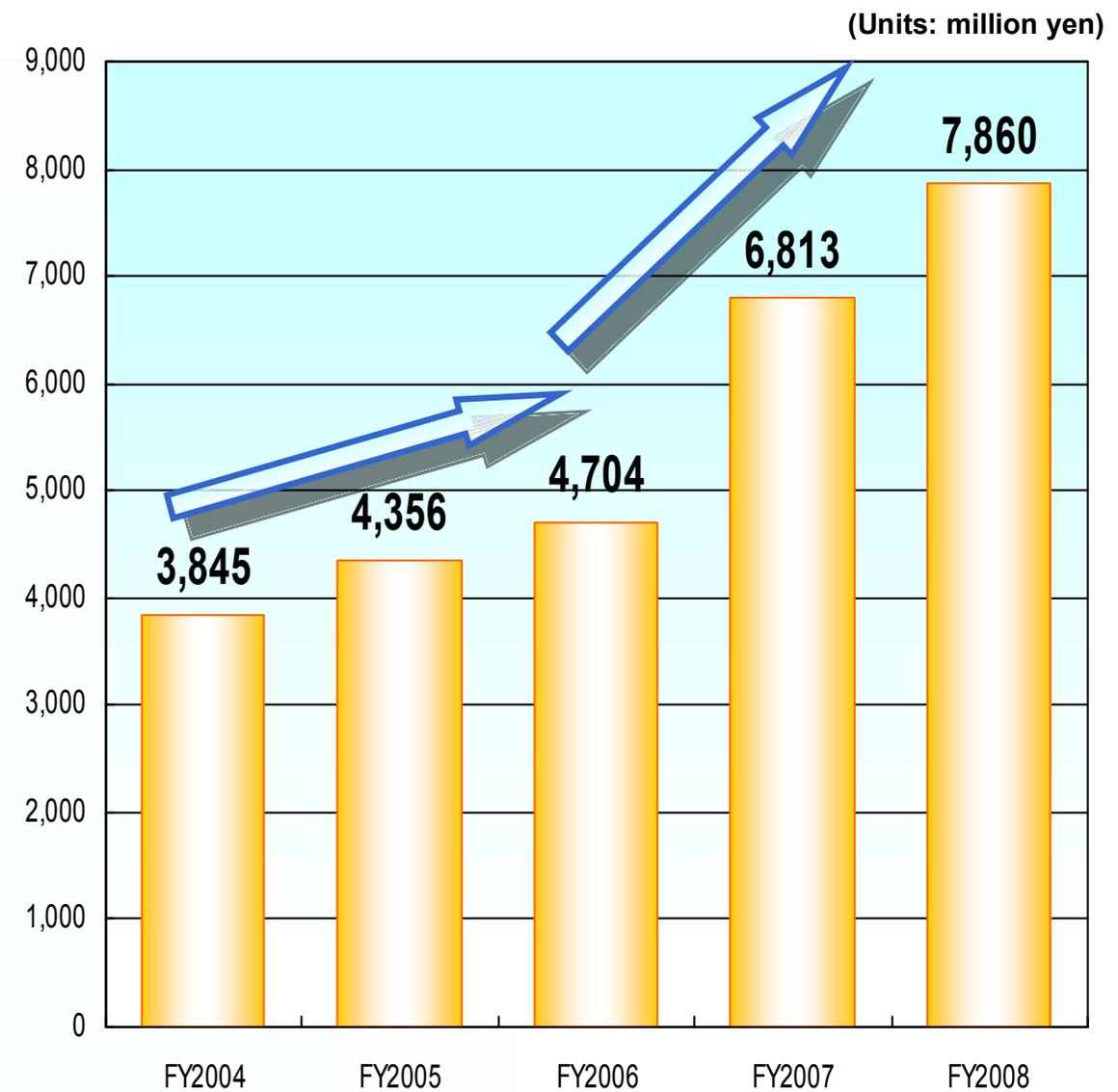


Net sales increased 1.5 times and recurring profit doubled over past 4 years

Net Sales



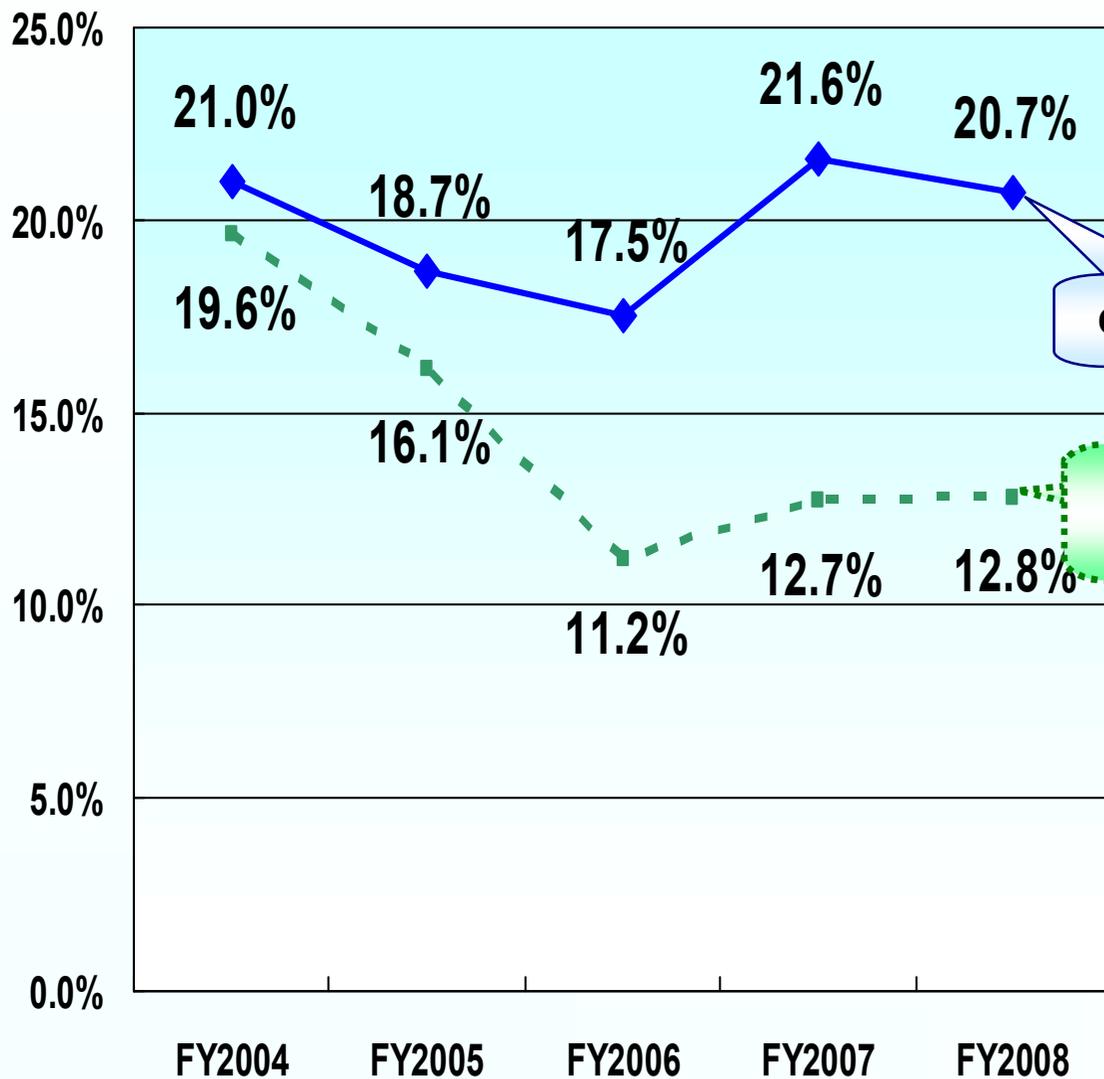
Recurring Profit



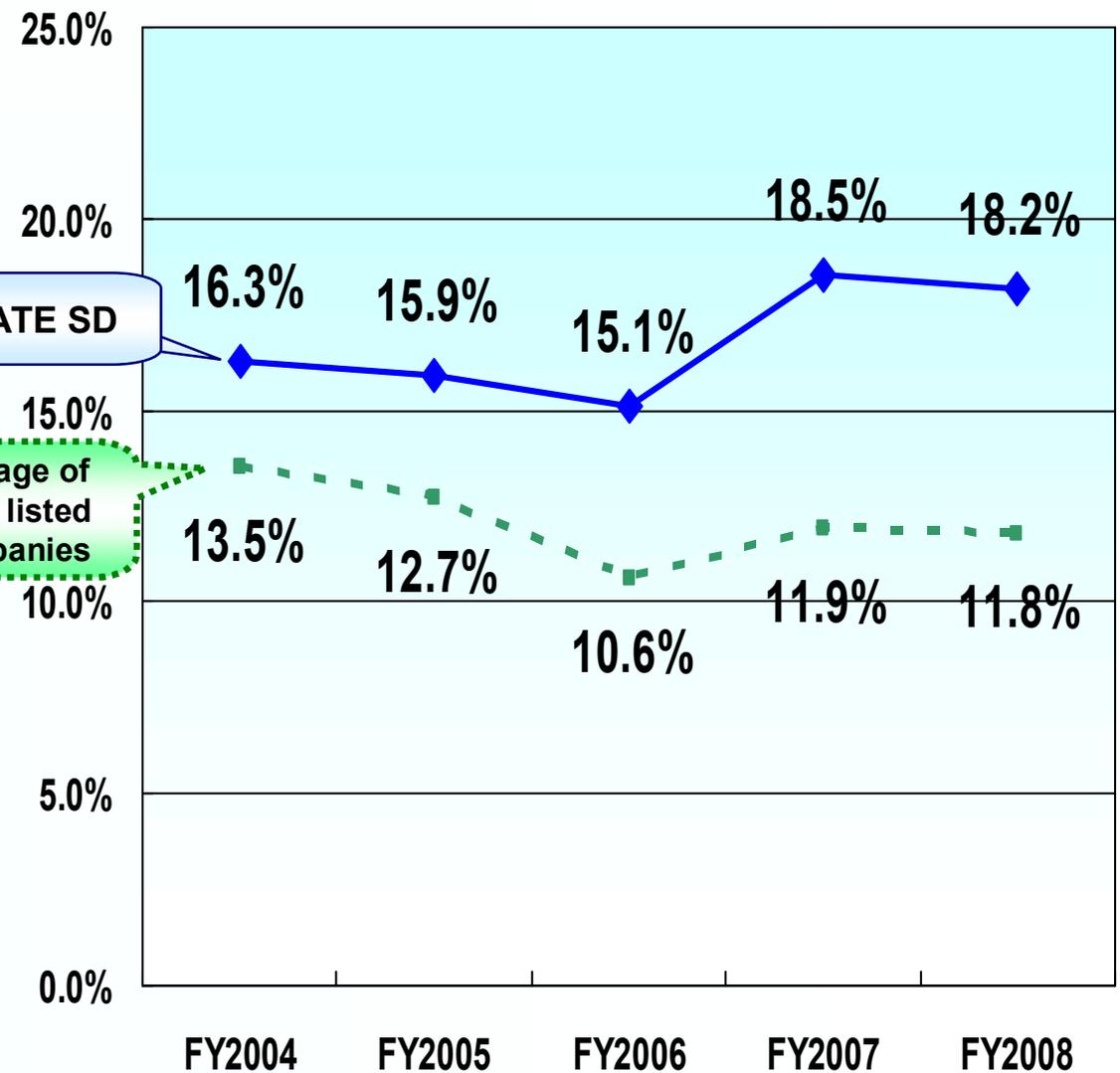
Leading the industry in ROE and ROA

Greatly exceeded the average for the top 8 listed companies

Return on Equity (ROE)



Return on Assets (ROA)



1. FY2008 Results

Recurring profit ratio reached 6.1%
due to an improvement in the gross profit margin

	FY2007		FY2008			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)	Percentage of forecasts (%)
Net Sales	113,647	100.0	127,817	100.0	112.5	99.7
Gross Profit	28,220	24.8	33,189	26.0	117.6	100.9
SG&A Expenses	21,491	18.9	25,457	20.0	118.5	101.1
Operating Profit	6,729	5.9	7,732	6.0	114.9	100.3
Recurring Profit	6,813	6.0	7,860	6.1	115.4	100.8
Net Profit	3,679	3.2	4,260	3.3	115.8	101.2

2. Net sales and gross profit margin by segment

Proportion of net sales by health products and cosmetics segments increased to 41.3% from 40.6% (+0.7 percentage points) due to the enhancement Existing store sales YoY: 99.2%

Through organization-wide initiatives, overall gross margin ratio increased 1.2 percentage points YoY to 26.0%

	FY2007			FY2008			Gross Profit Margin	
	Net Sales (million yen)	Share (%)	Gross Profit Margin (%)	Net Sales (million yen)	Share (%)	YoY Change (%)	(%)	YoY Change (percentage points)
Medical and Health Products	25,856	22.8	37.8	29,443	23.0	113.9	39.1	+1.3
Cosmetics	20,257	17.8	27.0	23,433	18.3	115.7	28.0	+1.0
Food Products	34,271	30.2	16.6	37,722	29.5	110.1	17.7	+1.1
Daily Products	21,741	19.1	23.7	24,874	19.5	114.4	24.2	+0.5
Other	11,520	10.1	18.3	12,343	9.7	107.1	19.7	+1.4
Total	113,647	100.0	24.8	127,817	100.0	112.5	26.0	+1.2

- “Other” includes items such as baby products, clothing, pet products, gardening products, and film development services.

3. Factors behind changes in SG&A expenses

SG&A expense ratio increased to **20.0%** from **18.9%**
 due to an increase in the number of new stores
 * Reduced to **98.5%** YoY for existing stores

	FY2007		FY2008		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Total SG&A Expenses	21,491	18.9	25,457	20.0	118.5
Personnel Expenses	10,608	9.3	12,230	9.6	115.3
Advertising Expenses	1,889	1.7	2,347	1.8	124.3
Other Expenses	8,994	7.9	10,878	8.5	121.0

Personnel Expenses: Increase in recruiting expenses (due to efforts such as strengthening recruiting media and increasing local recruiting) **(71.9% increase)**

Advertising Expenses: Expenses due to increase in the number of new stores **(24.3% increase)**

Other Expense: Increase in new-store related expenses, such as rent, depreciation, and supplies **(45.5% increase in depreciation)**

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I. FY2008 Results

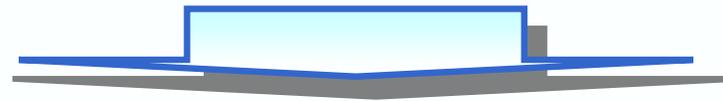
II. FY2008 Efforts

**III. FY2009 Forecasts,
Future Issues and Direction**

1. 40 new stores – most ever!

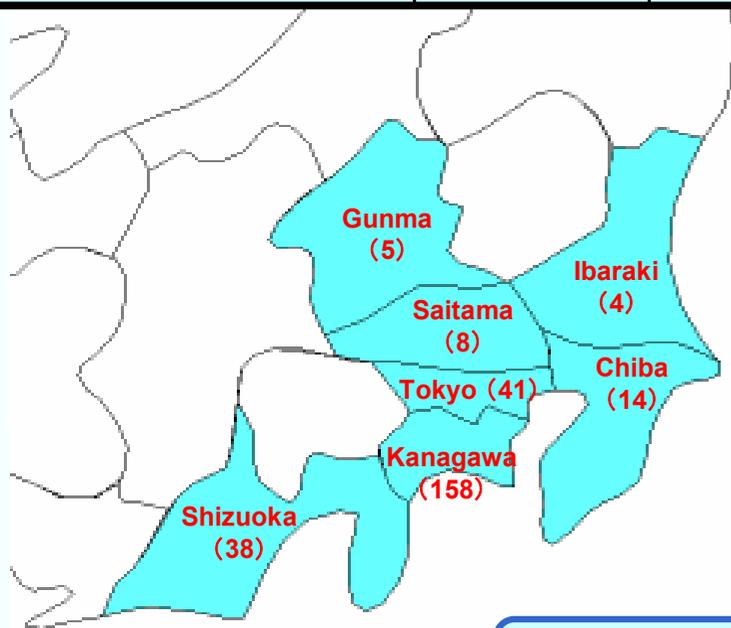
Store opening by area

	Kanagawa	Tokyo	Shizuoka	Saitama	Chiba	Gunma	Ibaraki	Total
FY2008	16	5	5	2	5	3	4	40



Figures in parenthesis are those of stand alone pharmacies

Number of stores at the end of FY2008	158(8)	41(1)	38	8	14	5	4	268(9)
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Creation of a highly concentrated dominant area in Kanagawa
 During FY2008, 16 of the 40 stores were opened in Kanagawa

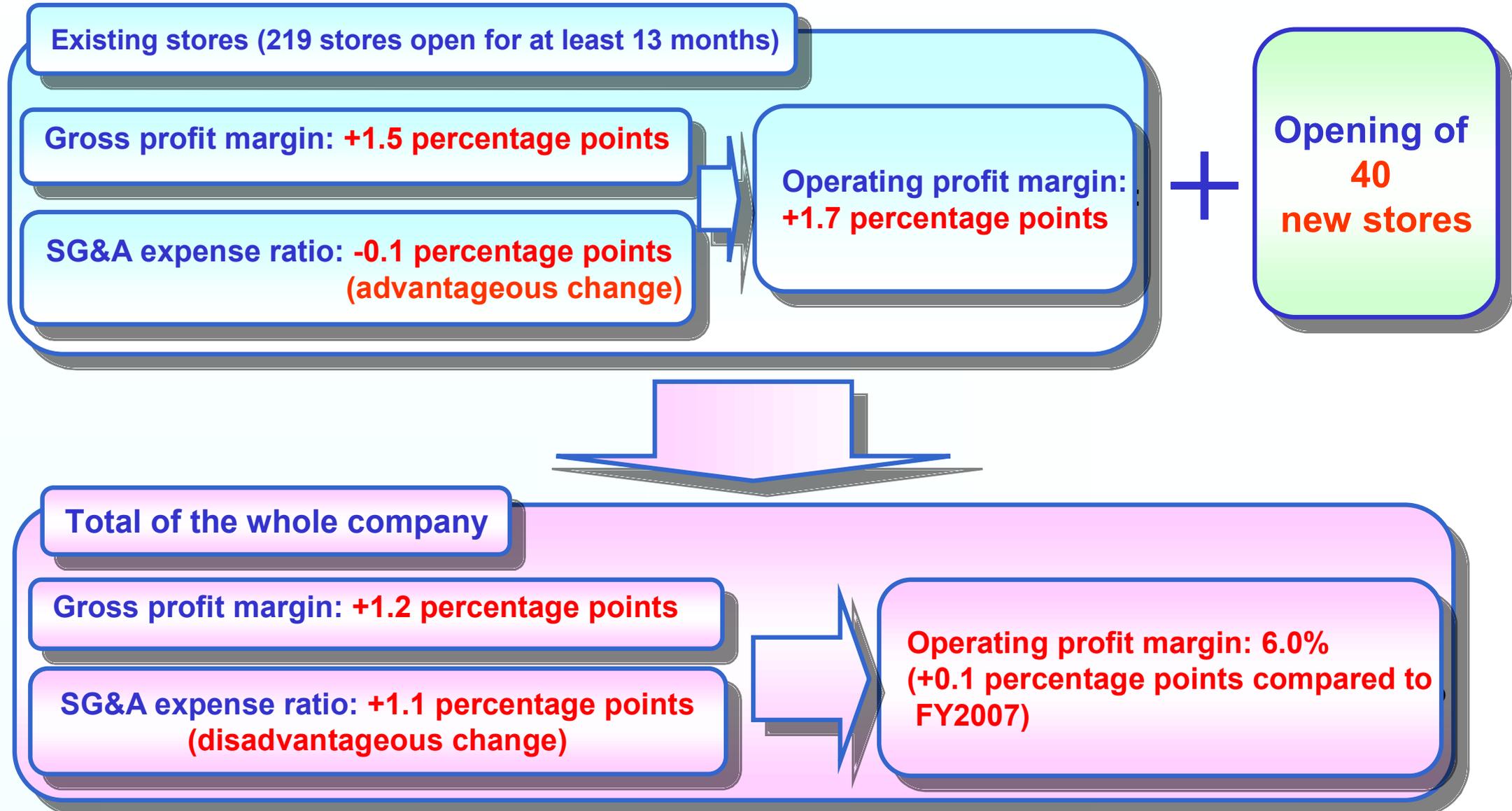
Launch of store openings in Gunma and Ibaraki
 Launched store openings in February 2007 ; 9 stores were opened at present

Total 29 pharmacies at year-end: 9 stand-alone and 20 in stores

Stores by type: 30 suburban stand-alone; 7 suburban complex; 3 shop in SC

2. Major contribution from improvement in existing stores

Improvement in gross profit margin at existing stores compensated for increase in expenses due to the large number of store openings



3. Improvement in gross profit margin

Improvement of **1.2 percentage points (from 24.8% to 26.0%)** compared to FY2007

Continued measures

- Collaboration between product and store management headquarters
- No excessive price reductions

Measures this year

- Enhance high-margin health products and cosmetics segments
- Intentionally restrain food segment

Medical and Health products

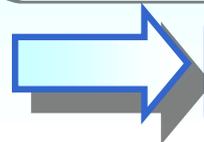
Increase proportion through PB sales promotion

Cosmetics

Expand lineup of system cosmetics
Expand sales of luxury shampoos & conditioners

Foods

Keep proportion to no more than 30%



Health products and cosmetics proportion to **41.3%** (40.6% last year)

Daily products

Negative impact from increased delivery prices (e.g. paper and disposable diapers)

PB Products (whole company)

	No. of Items	Sales	Share
FY2005	485	7,373 million yen	8.0%
FY2006	599	9,739 million yen	9.6%
FY2007	653	11,792 million yen	10.7%
FY2008	731	13,487 million yen	10.9%

Nichiryu products (whole company)

	No. of Items	Sales
FY2007	289	975 million yen
FY2008	348	1,650 million yen



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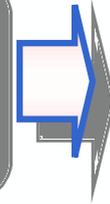
I. FY2008 Results

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Future Issues and Direction**

Mid-term targets

Achieve solid dominance
in Kanto and Tokai regions



Maintain double-digit growth,
including alliances with other companies!

1. Quantitative targets (FY2011)

Group stores

400+

Group net sales

¥200 billion

Group recurring profit (ratio)

¥12 billion (6%)

2. Qualitative targets

Establish competitive edge over rivals

In the 25 years since our founding, we have only closed 11 stores, supported by our customers.

We will develop new categories and services to remain the closest, cheapest, most convenient, and friendliest stores to our customers.

Be our customers' choice in stores

Include pharmacies, and create drug stores handling up to category 1, able to provide consultations on any topic, and offer solutions.

Be our employees' choice in companies

Create drug stores that provide motivation and sense of purpose to pharmacists and registered sellers.

Mid-term targets

3. Strategy to achieve targets

(1) Hire, train, and motivate personnel
Create employee-friendly work environment

Enhance operational focus on people

(2) Ensure high rate of growth
with Organic growth and M&As

Transition to pure holding-company system
Also aggressively pursue M&As

(3) Develop new categories and services

Introduce more growth categories
In-store consultation services
utilizing special-order centers

(4) Build system aiming for 400 consolidated stores

Build personnel and financial/
accounting systems

(5) Offer consultations on any topic
Solutions-oriented drug stores

Enhance pharmacy initiatives
Effectively leverage registered sellers

1. FY2009 Forecasts

Achieve 8 straight years of increased sales and profits

	FY2008 (actual)		FY2009 (forecasts)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Net Sales	127,817	100.0	142,000	100.0	111.1
Gross Profit	33,189	26.0	36,790	25.9	110.8
SG&A Expenses	25,457	20.0	28,670	20.2	112.6
Operating Profit	7,732	6.0	8,120	5.7	105.0
Recurring Profit	7,860	6.1	8,300	5.8	105.6
Net Profit	4,260	3.3	4,360	3.1	102.3

Capital Expenditures	4,500 million yen (YoY change: 98.6%)
Depreciation Expense	1,754 million yen (YoY change: 134.2%)

Assumptions for FY2009 forecasts:

1. Net sales: 35 new stores. YoY change in existing store sales: 99.8%
2. Gross profit margin: 25.9% (YoY change: 0.1 percentage point decrease)
3. SG&A expenses: 20.2% of net sales (YoY change: 0.2% percentage point increase)

FY2009 Forecasts (by segment)

Net Sales by Segment	FY2008 (actual)		FY2009 (forecasts)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Medical and Health Products	29,443	23.0	33,124	23.3	112.5
Cosmetics	23,433	18.3	25,777	18.2	110.0
Food Products	37,722	29.5	41,872	29.5	111.0
Daily Products	24,874	19.5	27,736	19.5	111.5
Other	12,343	9.7	13,492	9.5	109.3
Total	127,817	100.0	142,000	100.0	111.1

FY2009 forecast (1)

Maintain double-digit growth in sales

1. Open 35 new stores (closed 2 stores)

Planned store openings
for FY2009 by area

21 new stores
in 1H

+

14 new stores
in 2H

Kanagawa	Tokyo	Shizuoka	Saitama	Chiba	Gunma	Ibaraki	Total
15	5	5	4	2	1	3	35

2. Existing store sales of 99.8%

Expect an increase in performance from 99.2% last fiscal year

Off to good start,
with 100.0% YoY
for existing stores
in June 2008

Increase store visit frequency by revising
services for point-card members



2,520,000
cardholders
end-May 2008

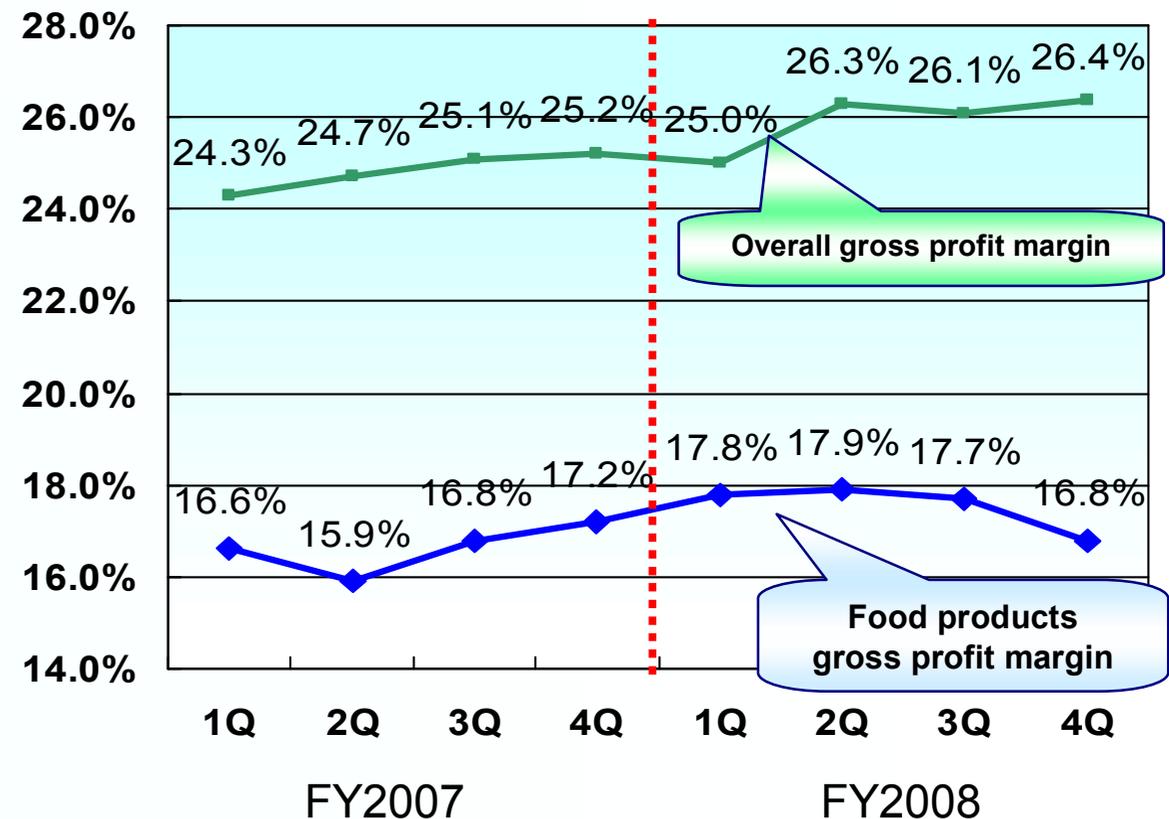
Initiatives to attract new customers through added value and revamped lineup
Increase speed from 20 stores last year to 30 stores: Expand H&B

FY2009 forecast (2)

Strategically suppress gross margin ratio **to ensure competitive edge**

- (1) **Set gross margin ratio to 25.9%**
(down 0.1 percentage points from 26.0% last year)
We will use this to ensure our price competitiveness

(2) Although our gross margin ratio for foods was lower in 4Q than two years previous, other sectors remain strong, ensuring a ratio of 26.4%. We have enhanced our profit structure and **will build on that base this year!**



FY2009 forecast (3)

Ensure investment for the future

1. Strategically invest in systems

(1) Auto change dispensers

Investment of 800 million yen;
depreciation of 300 million yen/year

Make cash register operation reliable, correct, fast, and easy
Create environment where employees can work efficiently
with peace of mind

(2) Invest in financial accounting and HR systems

Investment of 100 million yen;
depreciation of 30 million yen/year

Develop system able to support network of 400+
consolidated stores

2. Enhance sales capabilities

(1) Advertising expenses

Expand services for point card members

(Increase expenses by 100 million yen)

Ratio of advertising to sales from 1.8% to 1.9%

Increase frequency of visits by card members

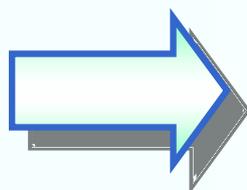
This will increase numbers of customers

(2) Personnel expenses

Increase end-of-FY personnel through early hiring
of pharmacists and general employees

(+150 million yen in expenses)

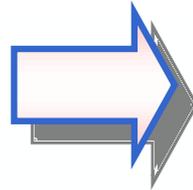
Revise personnel system for early hiring so that we will not need to hire
any pharmacy-school graduates at spring graduation of 2010-2011 school year.
Consequent to this, we have revised our store manager allowances,
introduced an employment system with transfers limited to a specific area.



In addition to forward-looking active investments,
increased raw material expenses and public fees will cause our
SG&A ratio to rise from 20.0% to 20.2%

FY2009 forecast (4)

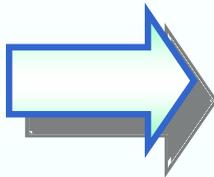
Pharmacists, nutritionists and registered sellers



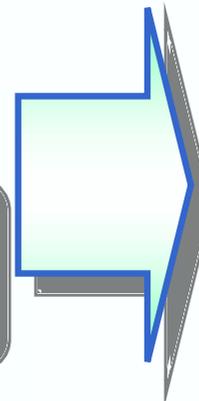
Solutions-oriented drug stores

Create **system that gives sense of social role and purpose** to pharmacists (through prescriptions and sales of category 1 products) and registered sellers (category 2 and 3 products)

Test and train registered sellers



Create new dedicated registered seller promotion tasks



Improve **ability** of all employees **to solve customer problems**

(1) Hold topic-specific health consultation seminars
Provide bone-density, circulation, and other checks at **59 stores**

(2) Provide mother & baby nutrition seminars
Provide breastfeeding consultations, guidance on weaning, and the like at **39 stores**



FY2009 forecast (5)

More active pharmacy initiatives

1. Open pharmacies in 10 stores

2. Give pharmacists new opportunities to leverage their abilities

(1) Expand introduction of guidance in administration of medicine by visiting nursing homes

(2) Support for obtaining pharmacist's qualification and giving presentations at applied pharmacology symposiums and the like in order to improve level of pharmacists

