



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



***FY2008 (6/07-5/08) Interim Results Explanatory Meeting
January 16, 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.

Index

- I. FY2008 Interim Results**
- II. 1H FY2008 Efforts
- III. FY2008 Forecasts
- IV. Future Issues and Direction

1. FY2008 Interim Results

Recurring profit ratio reached 6.3%
 due to an improvement in the gross profit margin

| | 1H FY2007 | | 1H FY2008 | | | |
|------------------|---------------|-----------|---------------|-----------|----------------|-----------------------------|
| | (million yen) | Share (%) | (million yen) | Share (%) | YoY Change (%) | Percentage of forecasts (%) |
| Net Sales | 55,916 | 100.0 | 62,798 | 100.0 | 112.3 | 99.5 |
| Gross Profit | 13,684 | 24.5 | 16,129 | 25.7 | 117.9 | 102.7 |
| SG&A Expenses | 10,396 | 18.6 | 12,226 | 19.5 | 117.6 | 102.0 |
| Operating Profit | 3,288 | 5.9 | 3,903 | 6.2 | 118.7 | 104.9 |
| Recurring Profit | 3,316 | 5.9 | 3,977 | 6.3 | 119.9 | 105.8 |
| Net Profit | 1,750 | 3.1 | 2,099 | 3.3 | 120.0 | 103.9 |

2. Net sales and gross profit margin by segment

For the three main segments, excluding food products, **net sales grew at a double digit pace year on year** due to deepening of efforts started in FY2007.

The overall gross profit margin was **25.7%**, an **increase of 1.2 percentage points year on year.**

| | 1H FY2007 | | | 1H 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 | 12,557 | 22.5 | 37.0 | 14,184 | 22.6 | 113.0 | 38.5 | +1.5 |
| Cosmetics | 9,870 | 17.7 | 27.0 | 11,569 | 18.4 | 117.2 | 27.8 | +0.8 |
| Food Products | 16,942 | 30.3 | 16.2 | 18,561 | 29.6 | 109.6 | 17.8 | +1.6 |
| Daily Products | 10,861 | 19.4 | 24.1 | 12,448 | 19.8 | 114.6 | 24.1 | ±0 |
| Other | 5,683 | 10.2 | 17.9 | 6,034 | 9.6 | 106.2 | 18.9 | +1.0 |
| Total | 55,916 | 100.0 | 24.5 | 62,798 | 100.0 | 112.3 | 25.7 | +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 **19.5%** from **18.6%** due to an increase in the number of new stores

| | 1H FY2007 | | 1H FY2008 | | |
|--------------------------------|---------------|-------------|---------------|-------------|----------------|
| | (million yen) | Share (%) | (million yen) | Share (%) | YoY Change (%) |
| Total SG&A Expenses | 10,396 | 18.6 | 12,226 | 19.5 | 117.6 |
| Personnel Expenses | 5,187 | 9.3 | 5,907 | 9.4 | 113.9 |
| Advertising Expenses | 927 | 1.7 | 1,132 | 1.8 | 122.0 |
| Other Expenses | 4,280 | 7.7 | 5,187 | 8.3 | 121.2 |

Personnel Expenses: Increase of around 62 million yen in recruiting expenses (due to efforts such as strengthening recruiting media and increasing local recruiting)

Advertising Expenses: Expenses due to increase in the number of new stores

Other Expense: Increase in new-store related expenses, such as rent, depreciation, and supplies

4. New store openings

Figures in parenthesis are those of stand alone pharmacies

| Area | As of the end of FY2007 | Stores opened in 1H FY2008 | Stores closed in 1H FY2008 | As of the end of 1H FY2008 |
|----------|-------------------------|----------------------------|----------------------------|----------------------------|
| Kanagawa | 143 (8) | 9 | *1 | 151 (8) |
| Tokyo | 36 (1) | 2 | 0 | 38 (1) |
| Shizuoka | 33 | 2 | 0 | 35 |
| Saitama | 6 | 0 | 0 | 6 |
| Chiba | 9 | 3 | 0 | 12 |
| Gunma | 2 | 3 | 0 | 5 |
| Ibaraki | 0 | 2 | 0 | 2 |
| Total | 229 (9) | 21 | 1 | 249 (9) |

- The one Kanagawa store closed during 1H was on a scrape-and-build basis

Number of new stores by type: 14 suburban stand alone, 5 suburban complex, 2 shop in SC

There were 25 pharmacies at the end of 1H (9 stand alone and 16 in stores)

Index

I. FY2008 Interim Results

II. 1H FY2008 Efforts

III. FY2008 Forecasts

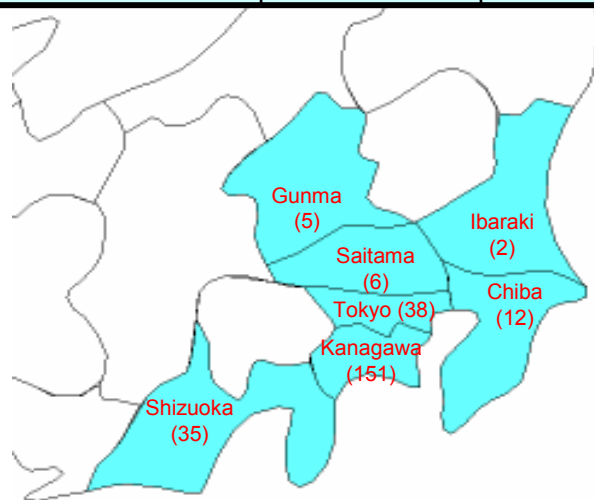
IV. Future Issues and Direction

1. 21 new stores opened in 1H FY2008

Store opening by area

| | Kanagawa | Tokyo | Shizuoka | Saitama | Chiba | Gunma | Ibaraki | Total |
|-----------|----------|-------|----------|---------|-------|-------|---------|--------|
| 1H FY2007 | 5 (1) | 0 | 4 | 1 | 0 | - | - | 10 (1) |
| 1H FY2008 | 9 | 2 | 2 | 0 | 3 | 3 | 2 | 21 |

| Number of stores at the end of 1H FY2008 | 151 (8) | 38 (1) | 35 | 6 | 12 | 5 | 2 | 249 (9) |
|------------------------------------------|---------|--------|----|---|----|---|---|---------|
|------------------------------------------|---------|--------|----|---|----|---|---|---------|

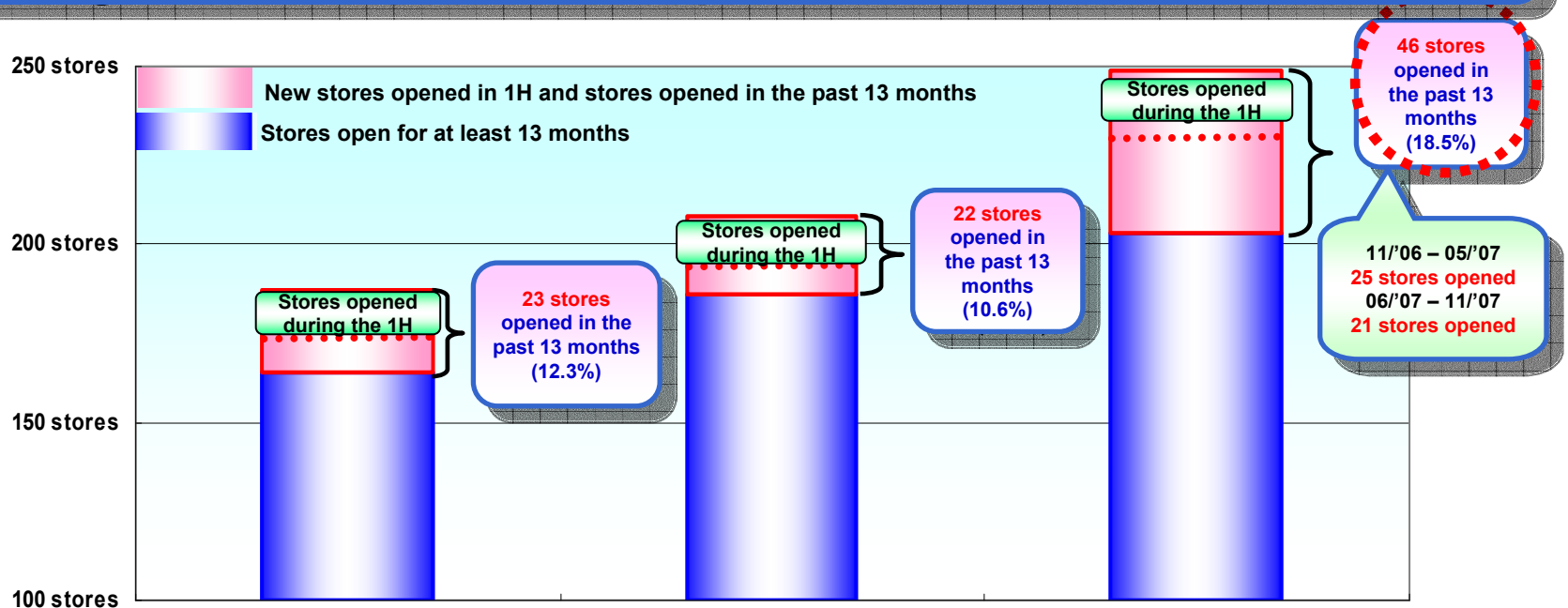


Creation of a highly concentrated dominant area in Kanagawa
 During 1H FY2008, 9 of the 21 store were opened in Kanagawa

Launch of store openings in Gunma and Ibaraki
 Launched store openings in February 2007 → 7 stores were opened at present

2. Operating profit continued to improve despite more new stores

Operating profit margin rose 0.3 percentage points even though the percentage of store opened in the past 13 months increased



| | 1H FY2006 | 1H FY2007 | 1H FY2008 |
|---------------------------------|-----------|-----------|-----------|
| Total number of stores | 187 | 208 | 249 |
| Of which were opened in 1H | 10 | 10 | 21 |
| Overall operating profit margin | 4.6% | 5.9% | 6.2% |

3. 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

Existing stores (203 stores open for at least 13 months)

Gross profit margin: **+1.5 percentage points**

SG&A expense ratio: **+/-0 percentage points**

Operating profit margin: **+1.5 percentage points**

New stores and semi-new stores (46 stores)

Stores opened in 1H FY2008: **21**

Stores opened in the past 13 months: **25**

+

Total of the whole company

Gross profit margin: **+1.2 percentage points**

SG&A expense ratio: **+0.9 percentage points**
(disadvantageous change)

Operating profit margin: **6.2%**
(**+0.3 percentage points**
compared to **FY2007**)

4. Improvement in gross profit margin for existing stores

Improvement of **1.5 percentage points** compared to FY2007

1. Strengthening tie-up with vendors

Headquarters
Clarify targeted products



Store
Concentrated sales of targeted products

2. Introduction of PB and Nichiryu products

PB
Number of items due to update and elimination of products: **675 SKU**
Share or sales **increases +0.4 percentage points** compared to FY2007

Nichiryu products
Introduced in September 2007
Items centered on food products:
306 SKU

3. Improvement in segment composition

Restrain ineffective price cuts of food products

+

Focus sales on Health products and cosmetics

(1) Introduction of PB and Nichiryu products

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% |
| (1H FY2007) | 637 | 5,657 million yen | 10.4% |
| 1H FY2008 | 675 | 6,539 million yen | 10.7% |

The number of items increased by 38 year on year
Share of sales increased 0.3 percentage points



Share of sales for existing stores is moving towards 10.8%

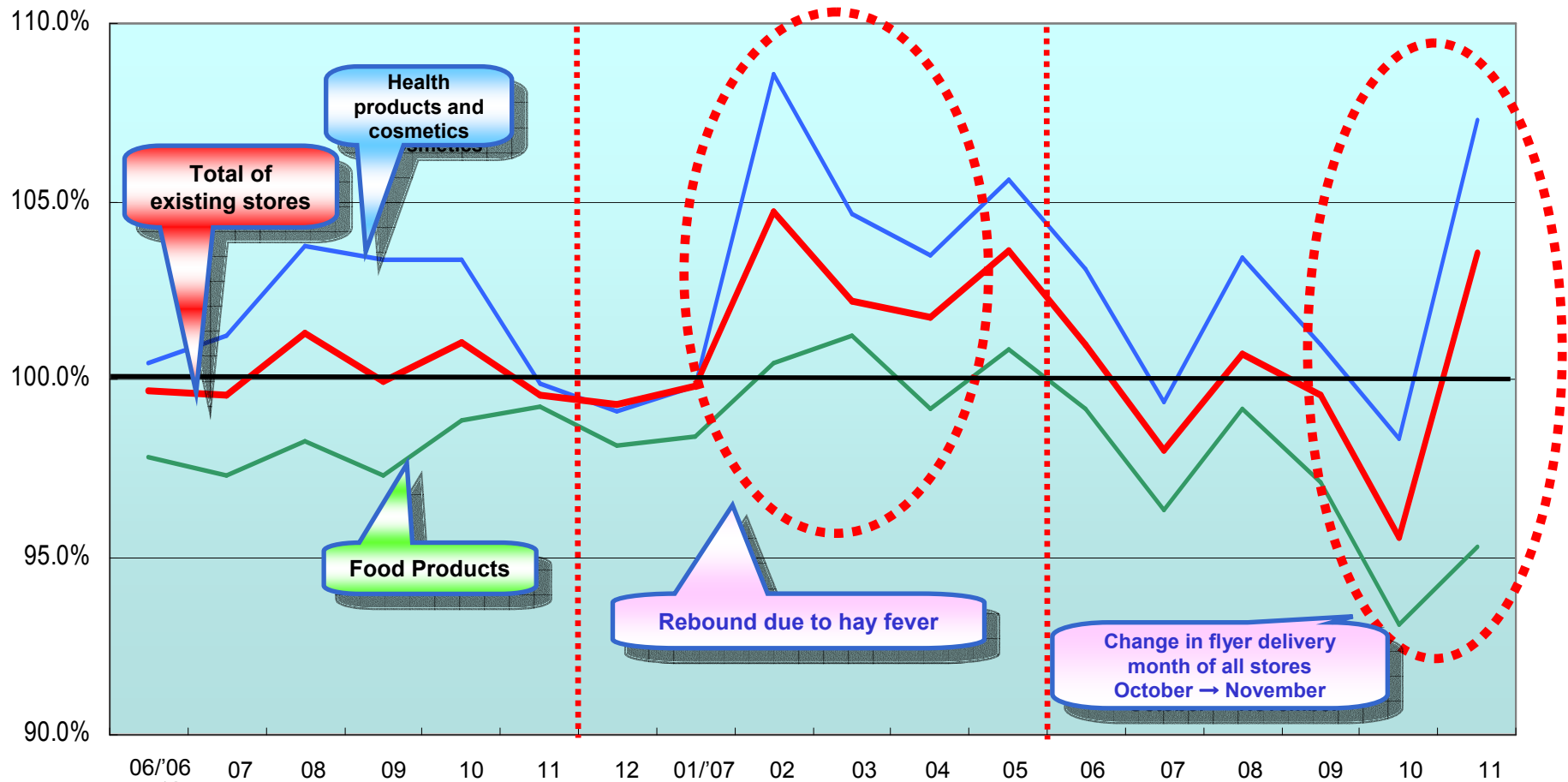
Nichiryu products (whole company)

| | No. of Items | Sales |
|-------------|--------------|-----------------|
| FY2007 | 280 | 928 million yen |
| (1H FY2007) | 252 | 235 million yen |
| 1H FY2008 | 306 | 792 million yen |



(2) Improvement in sales composition by segment

Sales by segment (existing stores open for at least 13 months)



Index

- I. FY2008 Interim Results
- II. 1H FY2008 Efforts
- III. FY2008 Forecasts**
- IV. Future Issues and Direction

1. FY2008 Forecasts

Aiming for double digit growth in earnings and profits

| | FY2007 (actual) | | FY2008 (forecasts) | | |
|-----------------------------|-----------------------------------------------|--------------|--------------------|--------------|----------------|
| | (million yen) | Share (%) | (million yen) | Share (%) | YoY Change (%) |
| Net Sales | 113,647 | 100.0 | 128,200 | 100.0 | 112.8 |
| Gross Profit | 28,220 | 24.8 | 32,038 | 25.0 | 113.5 |
| SG&A Expenses | 21,491 | 18.9 | 24,628 | 19.2 | 114.6 |
| Operating Profit | 6,729 | 5.9 | 7,410 | 5.8 | 110.1 |
| Recurring Profit | 6,813 | 6.0 | 7,500 | 5.9 | 110.1 |
| Net Profit | 3,679 | 3.2 | 4,050 | 3.2 | 110.1 |
| Capital Expenditures | 4,000 million yen (YoY change: 128.3%) | | | | |
| Depreciation Expense | 1,219 million yen (YoY change: 135.7%) | | | | |

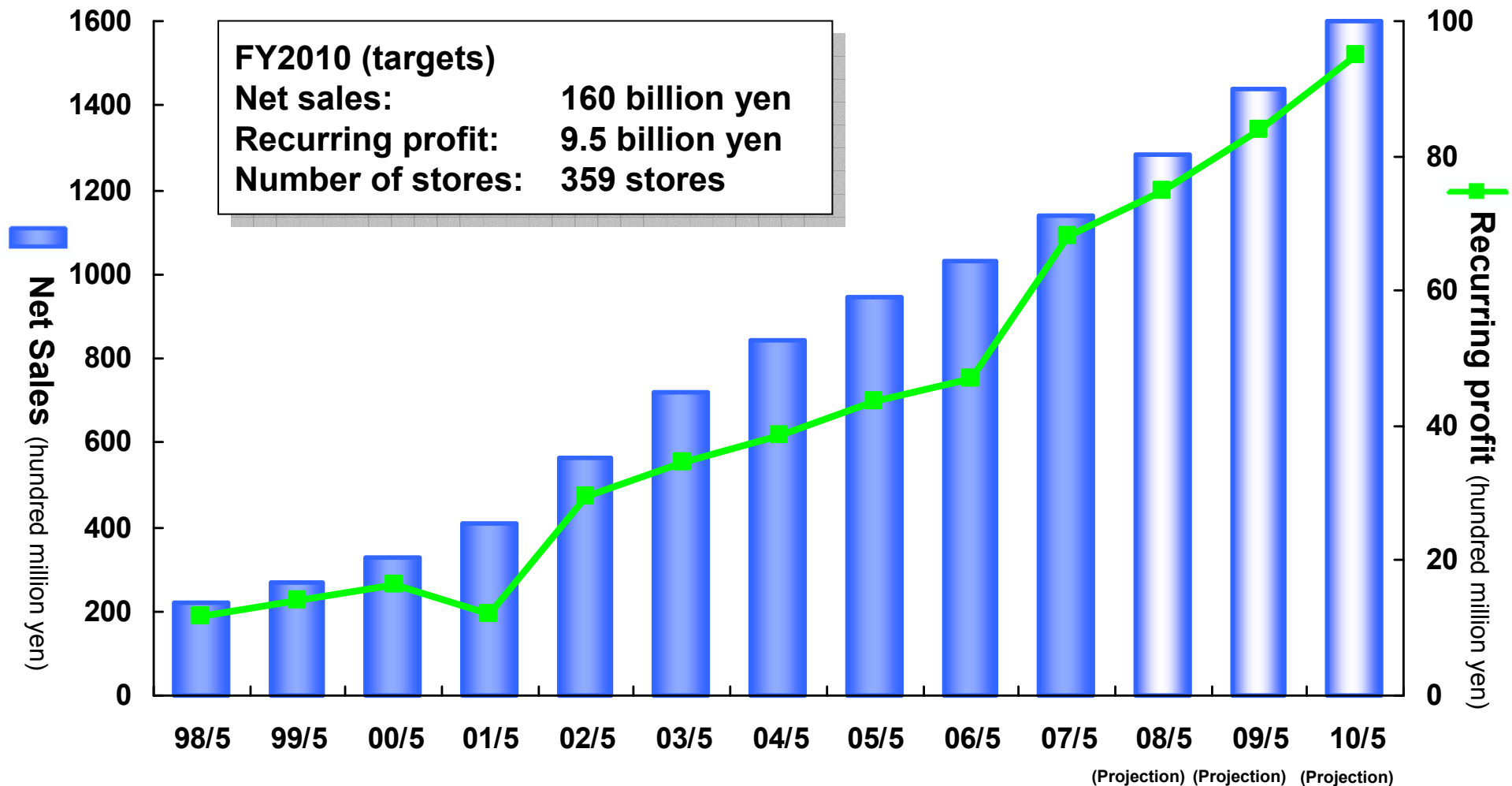
Assumptions for FY2008 forecasts:

1. Net sales: 40 new stores. YoY change in existing store sales: 99.6%
2. Gross profit margin: 25.0% (YoY change: 0.2 percentage point increase)
3. SG&A expenses: 19.2% of net sales (YoY change: 0.3% percentage point increase)

2. FY2008 Forecasts (by segment)

| Net Sales by Segment | FY2007 (actual) | | FY2008 (forecasts) | | |
|-----------------------------|-----------------|--------------|--------------------|--------------|----------------|
| | (million yen) | Share (%) | (million yen) | Share (%) | YoY Change (%) |
| Medical and Health Products | 25,856 | 22.8 | 29,486 | 23.0 | 114.0 |
| Cosmetics | 20,257 | 17.8 | 23,204 | 18.1 | 114.5 |
| Food Products | 34,271 | 30.2 | 38,418 | 30.0 | 112.1 |
| Daily Products | 21,741 | 19.1 | 24,781 | 19.3 | 114.0 |
| Other | 11,520 | 10.1 | 12,307 | 9.6 | 106.8 |
| Total | 113,647 | 100.0 | 128,200 | 100.0 | 112.8 |

3. Medium term business plan



| Number of stores | 43 | 54 | 71 | 98 | 109 | 129 | 153 | 179 | 198 | 229 | 268 | 311 | 359 |
|------------------|----|----|----|----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|------------------|----|----|----|----|-----|-----|-----|-----|-----|-----|-----|-----|-----|



Index

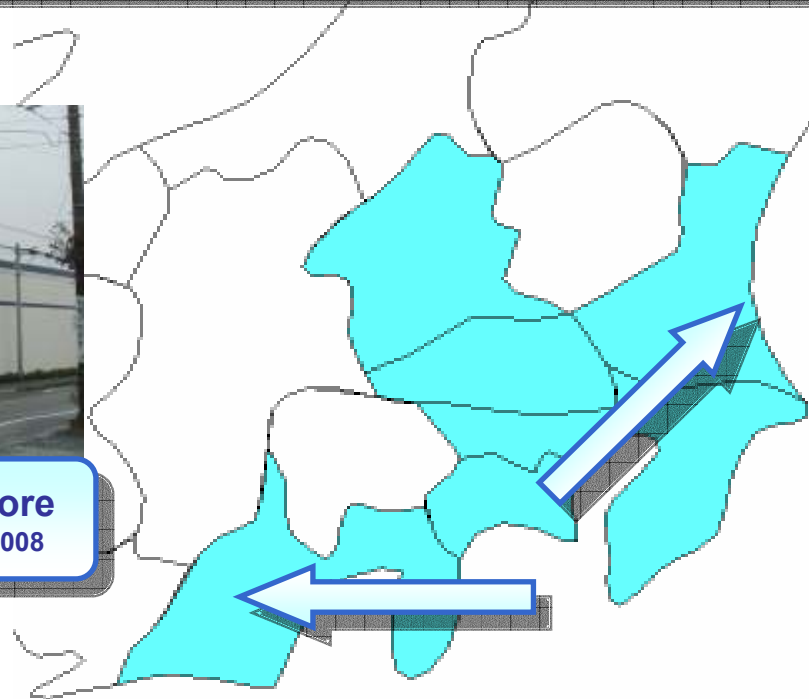
- I. FY2008 Interim Results
- II. 1H FY2008 Efforts
- III. FY2008 Forecasts
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1. Accelerating store openings

Begin to also open stores in northern Kanto and even in Hamamatsu



Hamamatsu-Kamijima store
Expected to open on January 19, 2008



243 Ibaraki-Hokota store
Opened on September 15, 2007

Contracts have been concluded for all 40 stores expected to be opened in FY2008

Planned store openings for FY2008 by area

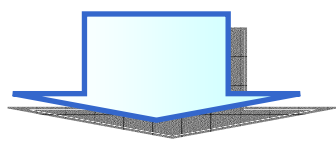
| Kanagawa | Tokyo | Shizuoka | Saitama | Chiba | Gunma | Ibaraki | Total |
|----------|-------|----------|---------|-------|-------|---------|-------|
| 15 | 5 | 5 | 3 | 5 | 3 | 4 | 40 |

Planned store openings for FY2009: 45

Planned store openings for FY2010: 50

2. Recruitment on account of the large number of store openings is an issue

With deregulation approaching in April 2009, focus has been on **lowering the break even ratio** based on the theme of “creating a system that can response to any change”



FY2006
79.0%



FY2007
74.2%



FY2008
73.7%

Concentrated investment on recruitment and training

Revisions to the HR system

Creating an environment in which employees can work for a long time with peace of mind

Strengthening recruiting ability

Training registered sales staff

System and wage system that makes it possible to check one's own growth and is reflected in benefits

Create an environment to prevent resignations due to marriage or child rearing

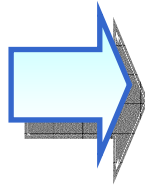
Even in a difficult recruiting environment, provisionally hired a record-high number of prospective employees due to launch of Recruiting Project

Promotion of in-store pharmacies in order to respond to the aspiration of pharmacists to prepare medicines

It is expected that around 700 general employees, including store managers, will take the test
The minimum necessary number is 480 for April 2009

3. Increase in specialization

Response to changes in the environment such as medical system reform



Comprehensive support for local customers ranging from disease prevention to health consultations, medicine preparation, and home medical care
Realization of “family drugstore”

Contribute to local community through improved specialization

Use of pharmacists in new areas

Aiming to be “family pharmacists” that can provide general advice as medical experts

- Expansion of stores with pharmacy and stores with health consultation group
- Home health care
- Tie-up with local medical care at nursing homes

Training of registered sales personnel

Improvement of counseling ability through promoting general employees' acquisition of certificate to compensate pharmacists

Developing solutions in response to customers' diversified needs

4. Business indicators that CREATE focuses on

| | FY 2007 | 1H FY 2008 |
|---------------------------|-----------------------------------------------------------|--------------|
| Recurring profit margin | 6.0% <i>* Number 2 among 10 major companies</i> | 6.3% |
| ROA (return on assets) | 18.5% <i>* Number 1 among top 10 companies</i> | 19.3% |
| ROE (return on equity) | 21.6% <i>* Number 1 among top 10 companies</i> | 21.6% |

**Based on actual figures for each company for FY2007*

5. Dividend policy

Stable dividends with a target of **3% of net assets**