



# CREATE SD HOLDINGS

*FY2013 (6/13-5/14) Results Explanatory Meeting*

## ***FY2014 (6/13-5/14) Results Explanatory Meeting*** ***July 18, 2014***

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. Kasakawa or Mr. Tamura (045-914-8241) in the Corporate Planning office.

# ***FY2014 (6/13-5/14) Results Explanatory Meeting***

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# **FY2014**

# **Consolidated Results**

# **(06/2013 – 05/2014)**

# 1. FY2014 Consolidated Profit and Loss Statement

Return on assets [ROA] 12.1%  
Return on equity [ROE] 13.5%

	FY2013 (consolidated)		FY2014 (consolidated)				
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of initial projection (%)	% of adjustment in projection (%)
Net sales	<b>181,966</b>	100.0	<b>197,483</b>	100.0	108.5	100.6	100.6
Gross profit	<b>48,510</b>	26.7	<b>52,004</b>	26.3	107.2	99.9	100.5
SG&A expenses	<b>38,467</b>	21.1	<b>42,997</b>	21.8	111.8	102.7	100.0
Operating profit	<b>10,043</b>	5.5	<b>9,006</b>	4.6	89.7	88.6	102.9
Recurring profit	<b>10,329</b>	5.7	<b>9,470</b>	4.8	91.7	90.2	102.9
Net profit	<b>5,965</b>	3.3	<b>5,779</b>	2.9	96.9	93.4	113.3

## 2. FY2014 Consolidated Balance Sheet

(million yen)

	May 31, 2013 (consolidated)	May 31, 2014 (consolidated)	Change
<b>Total assets</b>	<b>74,795</b>	<b>81,140</b>	<b>+6,344</b>
Current assets	45,020	46,889	+1,869
Fixed assets	29,775	34,250	+4,475
<b>Total liabilities</b>	<b>34,041</b>	<b>36,015</b>	<b>+1,973</b>
Current liabilities	31,866	33,850	+1,984
Fixed liabilities	2,174	2,164	-10
<b>Total net assets</b>	<b>40,754</b>	<b>45,125</b>	<b>+4,371</b>
<b>Total liabilities and net assets</b>	<b>74,795</b>	<b>81,140</b>	<b>+6,344</b>

### Main causes of changes

#### Total assets

- Merchandise +2,047 million yen
- Opening new stores, etc.
- Fixed assets +4,475 million yen

#### Total liabilities

- Accounts payable +1,818 million yen

#### Total net assets

- Decline due to 1,380 million yen in dividends
- Net profit +5,779 million yen

### 3. FY2014 Consolidated Statement of Cash Flows

(million yen)

#### Major breakdown

	FY2013 (consolidated)	FY2014 (consolidated)	Change
Cash flow from operating activities	8,001	7,249	-752
Cash flow from investing activities	-3,698	-6,281	-2,583
Cash flow from financing activities	-1,153	-1,417	-264
Change in cash and cash equivalents	3,149	-449	-3,599
Opening balance of cash and cash equipments	16,635	19,785	+3,149
Closing balance of cash and cash equipments	19,785	19,335	-449

- Net profit before taxes 9,327 million yen
- Depreciation 2,300 million yen
- Corporate taxes paid 4,735 million yen

- Increased acquisition of fixed tangible assets due to store openings and renovation -1,422 million yen
- Increased Joint loans for construction -135 million yen
- Increased Payments for lease and guarantee deposits -80 million yen
- Increased Construction in progress -371 million yen
- Payments for acquisition of newly consolidated subsidiaries and others

- Dividends 1,380 million yen

# Results for Each Business Company

# 1. FY2014 Profit and Loss Statement (Create SD)

	FY2013		FY2014				
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of initial projection (%)	% of adjustment in projection (%)
Net sales	<b>180,709</b>	100.0	<b>195,841</b>	100.0	108.4	100.5	100.6
Gross profit	<b>48,426</b>	26.8	<b>51,908</b>	26.5	107.2	100.0	100.6
SG&A expenses	<b>38,829</b>	21.5	<b>43,406</b>	22.2	111.8	102.6	100.1
Operating profit	<b>9,597</b>	5.3	<b>8,501</b>	4.3	88.6	88.4	103.2
Recurring profit	<b>9,791</b>	5.4	<b>8,887</b>	4.5	90.8	90.0	103.2
Net profit	<b>5,717</b>	3.2	<b>5,440</b>	2.8	95.1	93.7	115.2



## 2. Sales by Segment

Create SD

	FY2013			FY2014		
	Sales (million yen)	Share (%)	YoY change (%)	Sales (million yen)	Share (%)	YoY change (%)
Medical and health products	<b>41,184</b>	<b>22.8</b>	<b>109.2</b>	<b>44,629</b>	<b>22.8</b>	<b>108.4</b>
(O T C)	<b>32,958</b>	<b>18.2</b>	<b>106.9</b>	<b>34,170</b>	<b>17.5</b>	<b>103.7</b>
(Prescription)	<b>8,226</b>	<b>4.6</b>	<b>119.8</b>	<b>10,458</b>	<b>5.3</b>	<b>127.1</b>
Cosmetics	<b>29,335</b>	<b>16.2</b>	<b>105.0</b>	<b>31,094</b>	<b>15.9</b>	<b>106.0</b>
Food products	<b>65,463</b>	<b>36.2</b>	<b>109.5</b>	<b>72,334</b>	<b>36.9</b>	<b>110.5</b>
Daily products	<b>33,092</b>	<b>18.3</b>	<b>105.4</b>	<b>35,689</b>	<b>18.2</b>	<b>107.8</b>
Other	<b>11,633</b>	<b>6.5</b>	<b>97.9</b>	<b>12,093</b>	<b>6.2</b>	<b>104.0</b>
<b>Total</b>	<b>180,709</b>	<b>100.0</b>	<b>107.1</b>	<b>195,841</b>	<b>100.0</b>	<b>108.4</b>

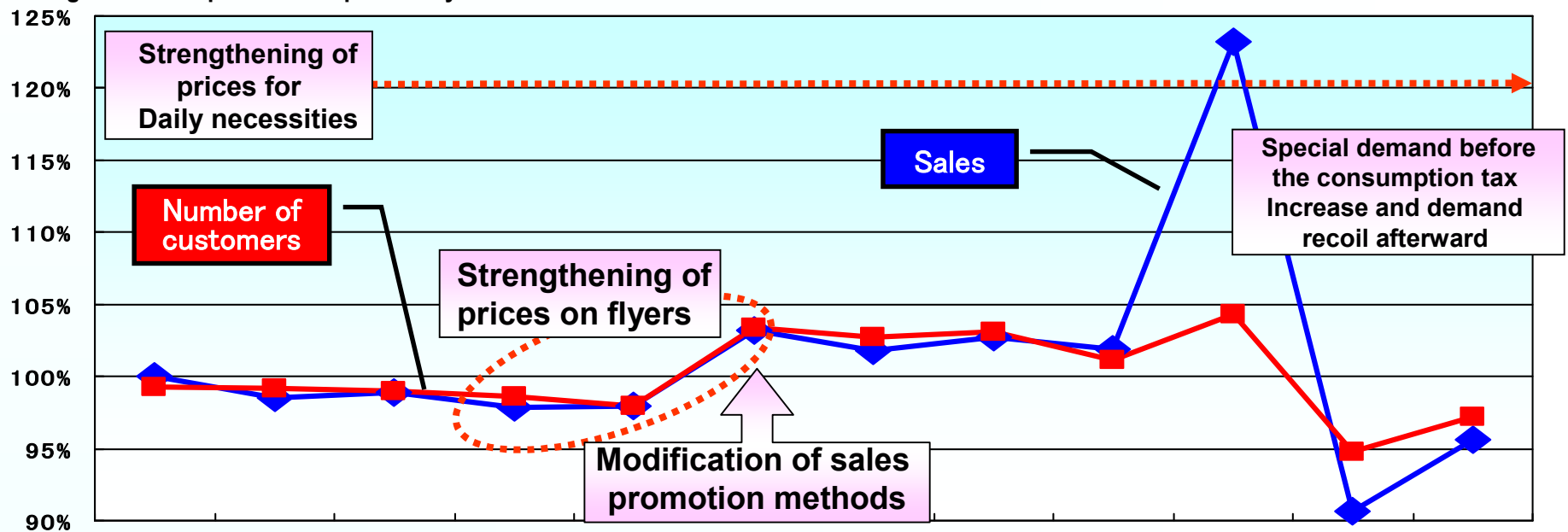
# 3. Sales

Create SD

For existing stores, sales 101.1%, number of customers 100.0% year on year

- Strengthening of prices for daily necessities such as daily foods and daily products
- Review of point-system sales promotion and implementation of measures to increase the number of customer visits before and after the consumption tax increase

Monthly change in sales and number of customers in existing stores compared to the previous year



	Jun.2013	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.2014	Feb.	Mar.	Apr.	May	Total		
<i>FY2014 (6/13-5/14)</i>	Jun. 2013	July	Aug.	Sep.	Oct.	Nov.	The first half year	Dec.	Jan. 2014	Feb.	Mar.	Apr.	May.	The second half year	Total
Net Sales	100.0	98.5	98.9	97.9	98.0	103.2	99.4	101.8	102.7	101.9	123.2	90.7	95.6	102.7	101.1
Number of Customer	99.3	99.2	99.0	98.6	98.0	103.4	99.5	102.7	103.1	101.1	104.3	94.8	97.2	100.5	100.0



# 3. Sales

## Modification of sales promotion methods

Steep reduction in costs through in-house production of the reward card system in 2012. Decrease in the rate of point use due to abolition of reward coupon distributed each 400 points

※Old reward card

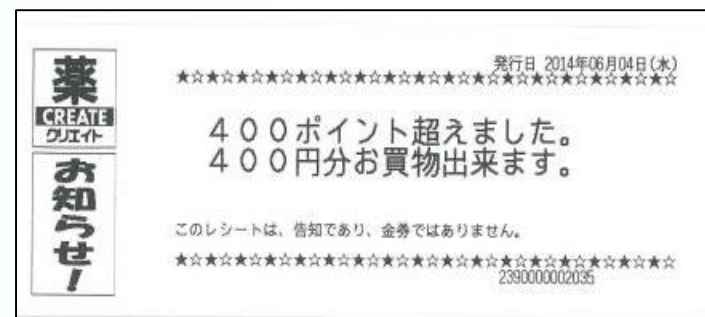


※Point ticket



※Current reward card

Distribution of Kuripon ticket to customers whose points have reached the level permitting use for purchase



※Kuripon ticket



Rise in the point use rate and increase in customer visit frequency, number of items purchased, and amount of purchase per customer

# 3. Sales

Create SD

## 2. Promote the renovation of existing stores

the remodeling of **52** stores

**Number of in-store pharmacies**

**Addition of the specialty to stores ⇒ 12 stores**

**Adjustment of the sales floor**

**Change to a sales floor makeup matching the sales makeup  
Addition to the production line-up and improvement of  
store fixtures at the same tim ⇒ 30 stores**

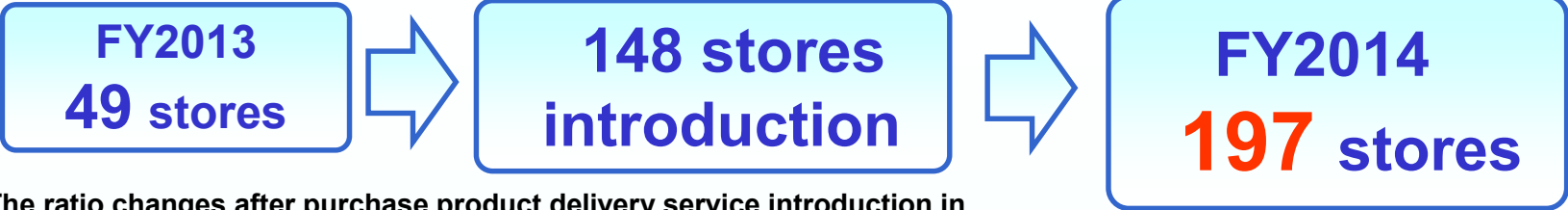
**Increase the sale of packaged meat**

**Reinforcement of the store model in small trade areas with  
frequent customer visits, by improvement of convenience  
⇒ 32 stores**

# 3. Sales

Create SD

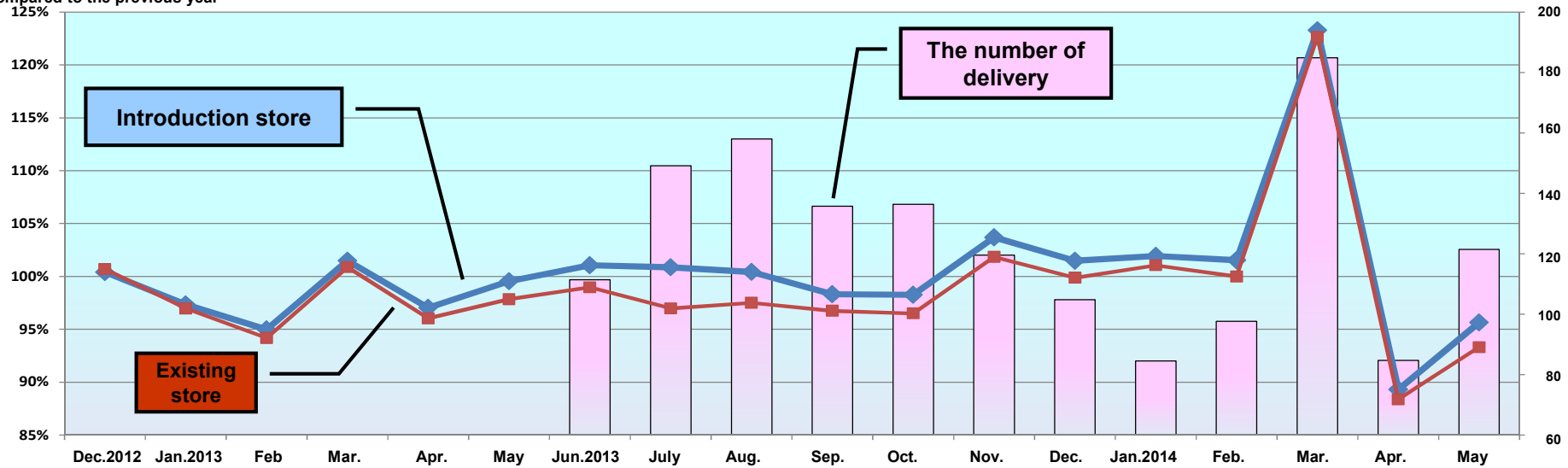
**3. Increasing the number of stores that offer a home delivery service for customers**



The ratio changes after purchase product delivery service introduction in earlier period of sales amount of the shop in progress for six months

Monthly change in sales compared to the previous year

Number of delivery



**In-depth examination of stores based on the surrounding environment and efficient input of delivery service concentrated in stores with strong needs for it**

## 4. Gross Profit

**Original plan ratio, 100.0%. Rose 7.2% year on year**

### **The first half year**

Implementation of initiatives to increase sales and the number of customers by strengthening of prices for daily necessities with a high consumption frequency (mainly daily foods, beverages, and daily products), and strengthening of prices for flyer products

### **The second half year**

Continued strengthening of prices for daily necessities while carefully monitoring the decline due to recoil after the consumption tax increase  
Meanwhile, adjustment of sales-pitch prices on flyers and narrowing down of regular products with price appeal  
Assurance of a gross profit of 100.0% relative to the initial plan by maintenance of the improved sales and number of customers

## 5. SG&A Expenses

Create SD

**2.6% higher than forecast.  
Plan difference +1,109 million yen**

### Personnel expenses

**0.9% higher than forecast. Plan difference +189 million yen  
(Rose 9.6% year on year)**

- Increase in man-hours in response to the consumption tax increase
- Increase in man-hours due to response to the disruption of distribution by heavy snows
- Increase in personnel hiring costs due to recruitment of qualified personnel along with establishment of in-store pharmacies

### Utilities expenses

**6.8% higher than forecast. Plan difference +123 million yen  
(Rose 28.9% year on year)**

- Fuel costs increased due to fuel price adjustments
- An increase due to higher basic rates

# 5. SG&A Expenses

Create SD

## Repair expenses

53.3% higher than forecast. Plan difference +262 million yen  
(Rose 45.2% year on year)

- Advance investment for switch to LED lighting for stores

## Supplies expenses

37.3% higher than forecast. Plan difference +247 million yen  
(Rose 36.7% year on year)

- Sales floor remodeling expenses such as bread, wine, the meat
- Equipment expense of the new stores

## Other expenses

- Increase in payment handling fees due to increased payment with credit cards
- Increase in miscellaneous costs accompanying the increase in home deliveries



# 6. New Store Openings

Create SD

**42 new OTC stores and 26 ethical pharmacies were opened**  
 (of which 2 was dedicated prescription drug store)

## New store openings by area

		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
New stores opened in FY2014	OTC	19	16	2	2	2	1	42
	in-store pharmacies	13	6	1	1	2	1	24
	dedicated prescription drug stores	1	1	0	0	0	0	2

Increase in stores due to acquisition & M&A of New Drug Co., Ltd. including 4 OTCs, 2 in-store pharmacies, and 1 dedicated pharmacy



2 stores were closed (1 in Kanagawa, 1 in Shizuoka)

		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
Total number of stores as of the end of FY2014	OTC	236	72	61	20	4	26	419
	in-store pharmacies	51	16	12	1	4	4	88
	dedicated prescription drug stores	14	7	0	3	0	1	25

Rate of pharmacy establishment in OTC stores  
**21.0%**

# 7. Prescription Operations

Create SD

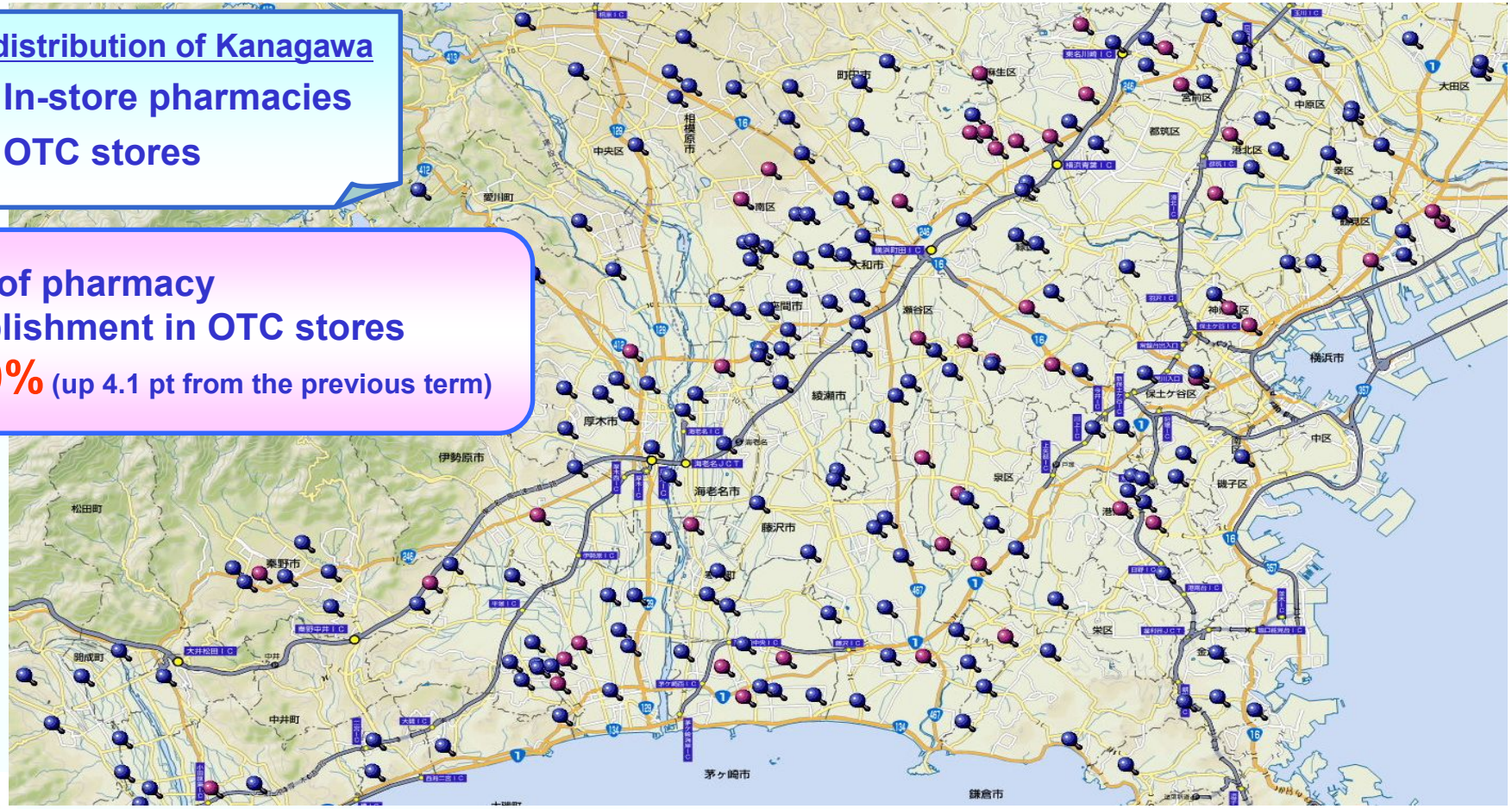
**26 new stores opened**  
(24 in-store pharmacies and 2 dedicated prescription drug store)



**113 stores at the end of FY2014**  
(88 in-store pharmacies and 25 dedicated prescription drug stores)

**Store distribution of Kanagawa**  
● In-store pharmacies  
● OTC stores

**Rate of pharmacy establishment in OTC stores**  
**21.0%** (up 4.1 pt from the previous term)



# 7. Prescription Operations

Create SD

**Existing stores comparisons**  
**Sales 16.0%**  
**Prescriptions 7.1%**

	FY2014		
	(million yen)	Share (%)	YoY change (%)
<b>Net sales</b>	<b>10,458</b>	100.0	127.1
<b>Gross profit</b>	<b>4,146</b>	39.6	131.6

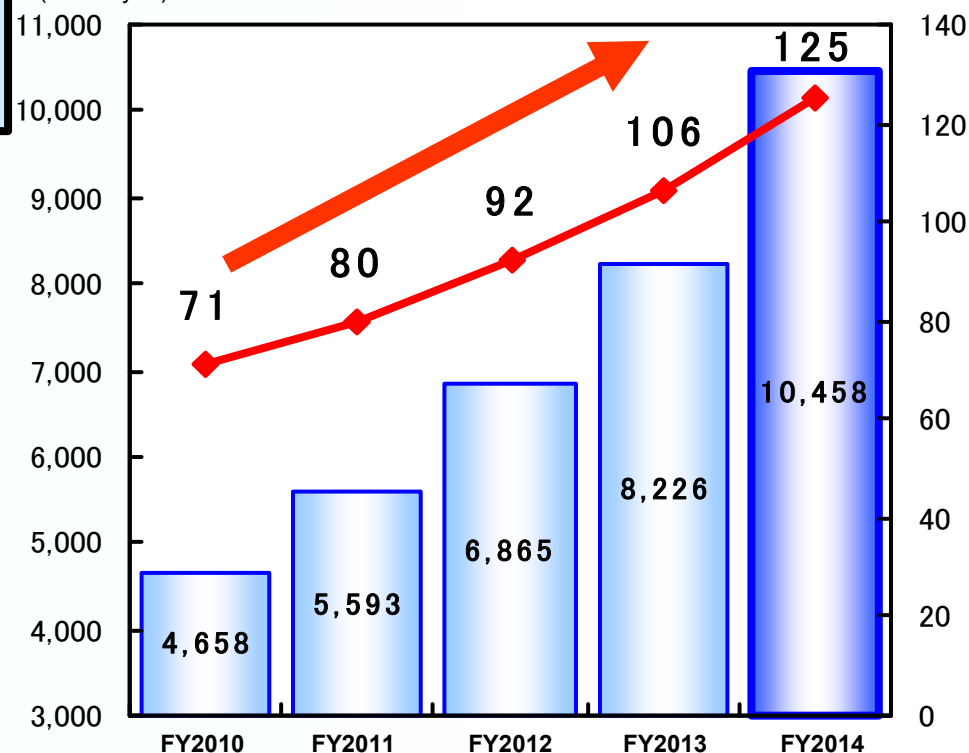
(Home service operations)	FY2014		
	(million yen)	Share (%)	YoY change (%)
<b>Net sales</b>	<b>757</b>	100.0	139.3

**Medication guidance by visit**  
**Collaboration with 59 nursing facilities**  
**(demand from 14 new facilities)**

**Sales in prescription operations and the number of prescriptions issued**

Bar graph: Sales (million yen)

Graph: Number of prescriptions issued (unit: 10,000)



## 8. Assisted-living Fee-charging Nursing Home and Preventive Nursing Business

Well life  
SALON DAY

### Action of the pay nursing home business

- Large-scale renewal of "well Haym Tokyo"
- Switch to flexible pricing

### Action of preventive nursing business

- Upbringing and fixation of the talented person by the improvement of staff training
- Opened **4** day service centers creating a network of **34** centers  
Long-term care support center **1** center

Number of day service centers  
at the end of FY2014

- Stand-alone centers: 26
- In-store centers: 8

## 9. Social Contribution and Regional Contribution

### Social contribution

#### “Let’s walking” event

- Holding in three areas outside Kanagawa Prefecture
- Holding of health counseling at sites near the finish line

#### Clean campaign in Kataseenosima

- Clean-up of shorelines in cooperation with public service foundation

### Regional contribution

#### Proactive involvement in nursing facilities

- Holding of nursing seminars for facility staff
- Acquisition of qualifications for activities as a senile dementia Supporter

#### Healthy event with the local government

- Participation in planning to a food education fair and a healthy seminar

# Growth Strategy

# 1. Growth Strategy – Create SD

## New development program

### ■ 42 new drug stores

- Develop stores with focus on Kanagawa, Tokyo, and Shizuoka

### ■ 28 in-store pharmacies

- Addition of the specialty to OTC stores
- Achieve 25% of rates of the drugstore establishment of the OTC stores

### ■ 5 dedicated prescription drug stores

### ■ Expansion of new facilities that undertake home delivery of medication

### ■ Development of the personal domiciliary market through approaches in important point area

# 1. Growth Strategy – Create SD

## **Business policy**

**100.3% or more increase in sales year on year**

## **OTC stores**

- Improving product line-up and addition of a new article
- 75 remodeling stores
- Delivery service for customers

## **Prescription drug stores**

- Improvement in waiting time for receipt of prescription medicine
- Promotion of use of generic pharmaceuticals
- Expansion of new facilities that undertake home delivery of medication



# 1. Growth Strategy – Create SD

## Profit improvement

### ■ Review of the sales promotion

- New sales promotion offering incentives for good customers
- Flyers sales promotion
- EDLP sales promotion
- Sales promotion at the time of the new store opening

### ■ Development of new private-brand products and renewal of existing products

- Development centered around cosmetics and daily-use articles
- The package renewal of the existing PB products and improvement of the quality

### ■ Intensive sale

- Improvement of profits by intensive sales of seasonal items in all stores

### ■ Review of how to sell

- Improvement of the higher/lower-margin profit product mix by review of sales promotion items and method of deployment

# 1. Growth Strategy – Create SD

## **Cost control**

### ■ **Utilities expenses**

- Complete an LED change of the store illumination in July to down the running cost

### ■ **Store-opening costs**

- Review of building specifications and interior decoration / decoration specifications
- Reduction of the equipment procurement cost by the competitive bidding

### ■ **Personnel expenses**

- Work improvement by the assist ordering system

# 1. Growth Strategy – Create SD

## New action

### 1. Improve services by making use of the EC website

Provide goods including those that are not sold at the stores, targeting the reward card members

- Grant points in the same way when customers purchase goods at stores
- Allow customers to receive purchased goods at stores as well as home

#### ※Homepage image



#### ※Notice poster



Provision of convenience through operation fused with stores

# 1. Growth Strategy – Create SD

## 2. Introduce the application of the assist ordering system into all sections storewide

- Alleviation of the burden of ordering work
- Prevent a stock out
- Rationalization of inventories
- Alleviation of replenishment work

**By these effects...**



- Improvement of the customer satisfaction by the increase of the waiting on customers time
- Realization of the low cost operation
- Improvement of profit and increase in trustworthiness in the eyes of customers due to reduction of product outage

# 1. Growth Strategy – Create SD

## 3. The new action in merchandising

- Introduction of the sum side dish
- Introduction experiment of the hot snack



## 4. New approaches to sales promotion utilizing smartphones

- Experiment of the "LINE@" sales promotion
- Introduction experiment of "The prescription application"



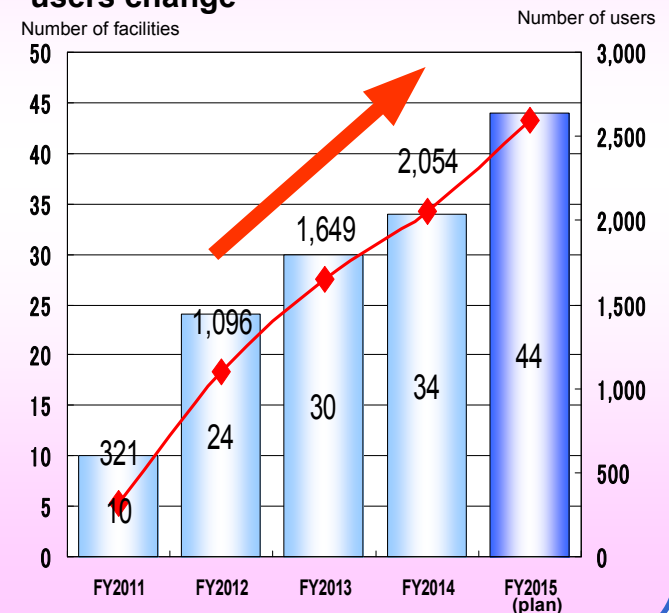
## 2. Care Business

### Preventive nursing business

- Opening of 10 centers  
Long-term care support center,  
2 establishments

- Profit improvement
  - Switch from "10 capacity system" to "15 capacity system"
  - The fall prevention, development of the training program of the care prevention including the dementia prevention

Number of facilities,  
users change

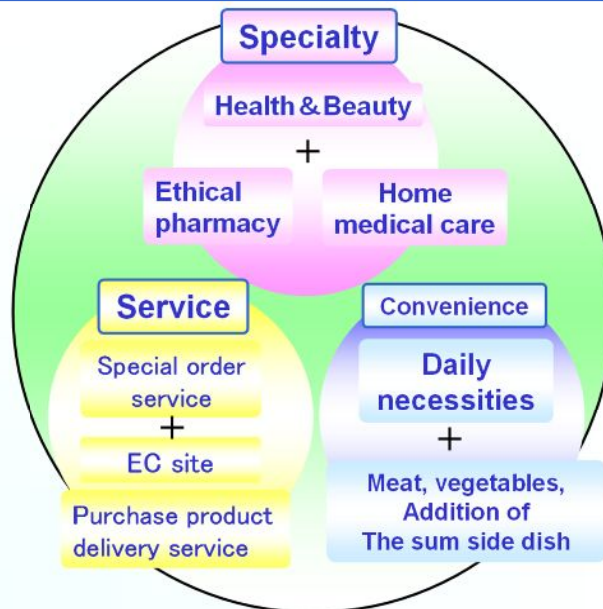


### 3. Create SD Medium-term Vision

Decreasing birthrate of the population when aging, "a post-baby boom generation" becomes 75 years old or older in 2025, and a market changes around an urban area



In aged society, our company add specialty and convenience as a business model of the narrow commercial domain and build a new business condition of the high visit frequency



Planned number of stores in FY2017

OTC **546**

Dedicated prescription pharmacies **43**  
In-store pharmacies **172**

Salon Day **63**  
Fee-charging nursing home **2**

Creating a system to contribute to society as a comprehensive healthcare support company in cooperation with community medical facilities

## 4. FY2015 Forecasts (Consolidated)

	FY2014 (consolidated results)		FY2015 (consolidated projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Net sales	<b>197,483</b>	<b>100.0</b>	<b>216,200</b>	<b>100.0</b>	<b>109.5</b>
Gross profit	<b>52,004</b>	<b>26.3</b>	<b>57,652</b>	<b>26.7</b>	<b>110.9</b>
SG&A expenses	<b>42,997</b>	<b>21.8</b>	<b>47,407</b>	<b>21.9</b>	<b>110.3</b>
Operating profit	<b>9,006</b>	<b>4.6</b>	<b>10,245</b>	<b>4.7</b>	<b>113.8</b>
Recurring profit	<b>9,470</b>	<b>4.8</b>	<b>10,500</b>	<b>4.9</b>	<b>110.9</b>
Net profit	<b>5,779</b>	<b>2.9</b>	<b>6,100</b>	<b>2.8</b>	<b>105.5</b>