



CREATE SD HOLDINGS

***FY2014 (6/13-5/14) Interim Results Explanatory Meeting
January 17, 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.

1H FY2014 Consolidated Results (06/2013 – 11/2013)

1. 1H FY2014 Consolidated Profit and Loss Statement

	1H FY2013 (consolidated)		1H FY2014 (consolidated)			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of projection (%)
Net sales	90,461	100.0	95,913	100.0	106.0	99.0
Gross profit	23,929	26.5	25,022	26.1	104.6	99.0
SG&A expenses	19,026	21.0	20,631	21.5	108.4	100.2
Operating profit	4,903	5.4	4,391	4.6	89.6	93.8
Recurring profit	5,083	5.6	4,677	4.9	92.0	96.5
Net profit	3,024	3.3	2,821	2.9	93.3	98.8

2. 1H FY2014 Consolidated Balance Sheet

(million yen)

	May 31, 2013 (consolidate)	November 30, 2013 (consolidated)	Change
Total assets	74,795	77,796	+3,000
Current assets	45,020	45,471	+451
Fixed assets	29,775	32,325	+2,549
Total liabilities	34,041	34,978	+937
Current liabilities	31,866	32,839	+973
Fixed liabilities	2,174	2,139	-35
Total net assets	40,754	42,817	+2,063
Total liabilities and net assets	74,795	77,796	+3,000

Main causes of changes

Total assets

- Merchandise +1,247 million yen
- Opening of 19 new stores, etc.
- Fixed assets +1,552 million yen

Total liabilities

- Accounts payable +1,032 million yen
- Income taxes payable
-389 million yen

Total net assets

- Decline due to 757 million yen in dividends
- Net profit 2,821 million yen

3. 1H FY2014 Consolidated Statement of Cash Flows

(million yen)

	November 30 2012 (consolidated)	November 30 2013 (consolidated)	Change
Cash flow from operating activities	2,832	2,860	+28
Cash flow from investing activities	-1,907	-4,321	-2,414
Cash flow from financing activities	-688	-774	-85
Change in cash and cash equivalents	237	-2,234	-2,472
Opening balance of cash and cash equipments	16,635	19,785	+3,149
Closing balance of cash and cash equipments	16,873	17,550	+677

Major breakdown

- Net profit before taxes 4,691 million yen
- Depreciation 1,014 million yen
- Corporate taxes paid 2,689 million yen

- Purchase of fixed tangible assets 2,092 million yen
- Negotiable deposit 1,000 million yen

- Dividends 757 million yen

Results for Each Business Company

1.1H FY2014 Profit and Loss Statement

Create SD

(Create SD)

	1H FY2013		1H FY2014			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of projection (%)
Net sales	89,856	100.0	95,215	100.0	106.0	99.1
Gross profit	23,896	26.6	24,980	26.2	104.5	99.1
SG&A expenses	19,204	21.4	20,839	21.9	108.5	100.3
Operating profit	4,692	5.2	4,140	4.3	88.3	93.4
Recurring profit	4,828	5.4	4,383	4.6	90.8	96.2
Net profit	2,886	3.2	2,637	2.8	91.4	98.6

2. Sales by Segment

Create SD

	1H FY2013			1H FY2014		
	Sales (million yen)	Share (%)	YoY change (%)	Sales (million yen)	Share (%)	YoY change (%)
Medical and health products	19,683	21.9	107.7	21,228	22.3	107.9
(O T C)	15,944	17.7	105.6	16,485	17.3	103.4
(Prescription)	3,739	4.2	117.4	4,743	5.0	126.9
Cosmetics	14,871	16.5	105.8	15,398	16.2	103.5
Food products	32,595	36.3	112.2	34,861	36.6	106.9
Daily products	16,877	18.8	105.4	17,851	18.7	105.8
Other	5,827	6.5	97.6	5,875	6.2	100.8
Total	89,856	100.0	107.8	95,215	100.0	106.0

3. Sales

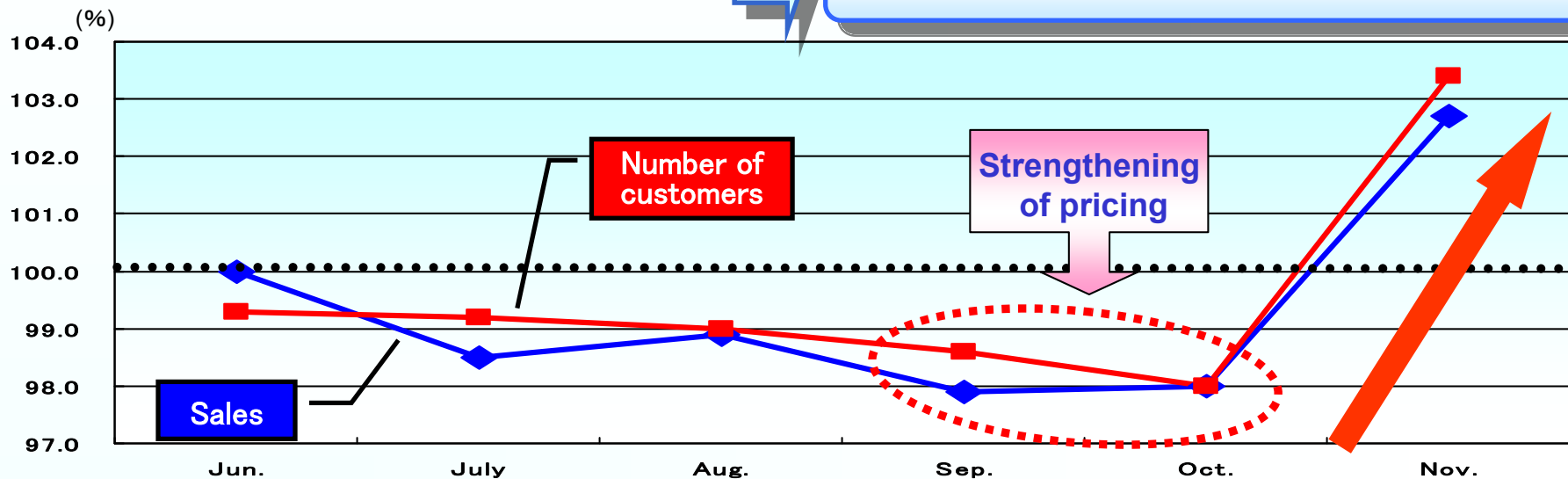
Create SD

Sales in first half forecast: existing stores 100.1% year on year

Set strong prices for highly consumable goods such as daily foods, beverages and daily products, in order to improve sales and increase the number of customer

Sales from existing stores 99.4% year on year

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



	Jun.	July.	Aug.	1Q	Sep.	Oct.	Nov.	2Q	1H FY2014
Sales	100.0%	98.5%	98.9%	99.1%	97.9%	98.0%	103.2%	99.7%	99.4%
Number of customers	99.3%	99.2%	99.0%	99.1%	98.6%	98.0%	103.4%	100.0%	99.5%

3. Sales

Create SD

Future measures

1. Measures for the impact of consumption tax increase

• Capture the special demand before the consumption tax increase

- ◆ Ensure the stock of popular goods
- ◆ Implement sales promotion activities to increase the number of customer visits in March

• Motivate customers to buy goods after the consumption tax increase

- ◆ Display product prices in a larger font than the prices including a consumption tax, suggesting the goods as the best buy
- ◆ Implement measures in March in order to increase the number of repeat customers after April

3. Sales

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Future measures

2. Promote the renovation of existing stores

• Promoting in-store pharmacies

Number of in-store pharmacies

FY2013
64 stores



1H FY2014
73 stores



FY2014(projection)
89 stores

• Revamp the product line-up

Enhance the line-up of goods based on the sales breakdown



FY2014(projection)
38 stores

• Improvement of the convenience

Increase the sale of packaged meat

Enhance the model of stores in small trade areas with frequent customer visits, by introducing new goods and enhancing the line-up of existing Goods.



FY2014(projection)
40 stores

3. Sales

Future measures

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

The number of the introduction stores

FY2013
49 stores



1H FY2014
108 stores



FY2014(projection)
248 stores

measurement of effectiveness

- Average spending per customer increased when using the delivery service
- The number and frequency of visiting customers increased



Enhance the performance of existing stores by introducing new services consistent with the model of stores in small trade areas with frequent customer visits that handle a wide variety of goods including food products

4. Gross profit

Profit improvement

• price

- ◆ Adjust the line-up and target prices of goods on hand-distributed and year-end flyers
- ◆ Set a pricing policy for new stores according to opening areas and competitive climate

• Product

- ◆ Concentrate on the advance sale of hay fever-related goods
- ◆ Sale of health and beauty goods based on the seek for the best value
- ◆ Narrow down the regular products that have a price appeal

5. SG&A Expenses

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Offset increases in utilities and construction costs with other costs that were below forecast

Utilities expenses (Increase factor)

10.1% higher than forecast (Rose 33.0% year on year)

- Difference from projection +95 million yen
- Previous yearly variation +257 million yen
- Electricity usage increased due to a heat wave this summer
- Fuel costs increased due to fuel price adjustments
- An increase due to higher basic rates

building expense (Increase factor)

- The unit cost per tsubo required for construction increased by 8% from the previous year, due to the demands from earthquake disaster reconstruction and consumption tax increase

Personnel expenses

0.8% lower than forecast (Rose 7.9% year on year)

- More effective man-hour control by implementing stricter shift management
Man-hours falling 1.4% compared to the previous year for existing stores

Advertising expenses

8.4% lower than forecast (Rose 2.6% year on year)

- The introductory effect of a new point card system
- Reviewed the areas and numbers of flyer distribution for new stores
- Improved the specification of sales promotion materials

6. New Store Openings

19 new OTC stores and 10 ethical pharmacies were opened
 (of which 1 were dedicated prescription drug stores)

New store openings by area

		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
New stores opened in FY2014	OTC	11	5	1	1	1	0	19
	in-store pharmacies	5	1	1	0	1	1	9
	dedicated prescription drug stores	1	0	0	0	0	0	1

Number of new stores by OTC type (19 stores)
 Suburban stand alone:15 In front of train station:1 Urban center :3



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 1H FY2014	O T C	228	61	60	19	3	25	396
	in-store pharmacies	43	11	12	0	3	4	73
	dedicated prescription drug stores	14	6	0	3	0	1	24

6. New Store Openings

Acquisition of the shares of New Drug Co., Ltd. (which became a subsidiary)

Establish a new store model that can enable multi-store operations in small trade areas in city centers in a short time



6. New Store Openings

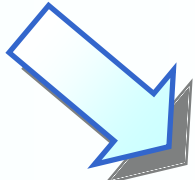
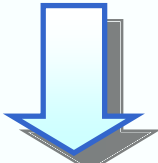
Develop the structure of small stores located in urban areas

Drugstore + Composition + Convenience store

Increase stores with floor areas of 30-100 tsubo having an in-store pharmacy, as well as introducing new goods and services in these stores



City-type small stores



Station side

Business district

The shopping inconvenience ground



Expand the types of locations to open new stores

7. Prescription Operations

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10 new stores opened

(9 in-store pharmacies and 1 dedicated prescription drug store)



97 stores at the end of 1H

(24 dedicated prescription drug stores and 73 in-store pharmacies)

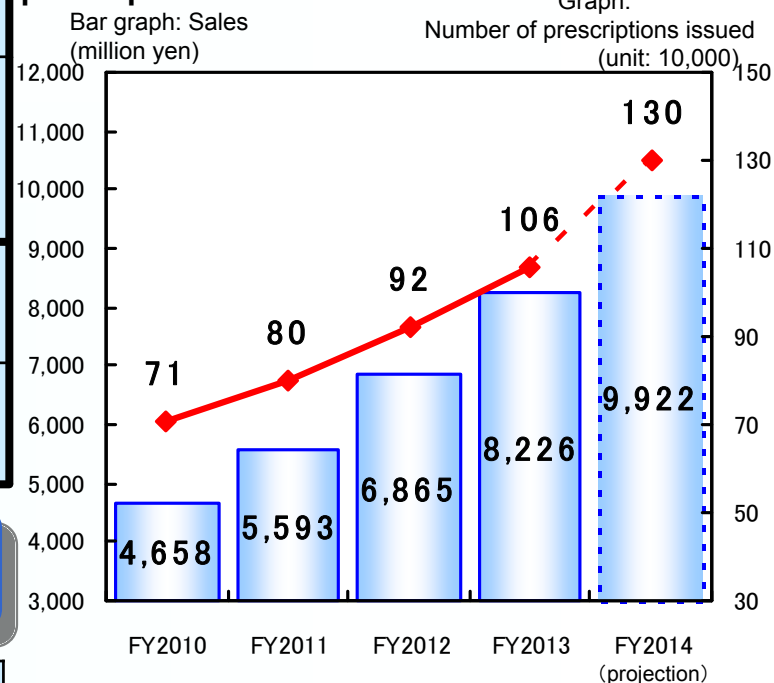
1H FY2014			
	(million yen)	Share (%)	YoY change (%)
Net sales	4,743	100.0	126.9
Gross profit	1,901	40.1	133.9

Existing stores comparisons

Sales 15.7% Prescriptions 6.2%

1H FY2014			
(Home service operations)	(million yen)	Share (%)	YoY change (%)
Net sales	349	100.0	132.2

Sales in prescription operations and the number of prescriptions issued



Medication guidance by visit
Collaboration with 58 nursing facilities
 (demand from 13 new facilities)

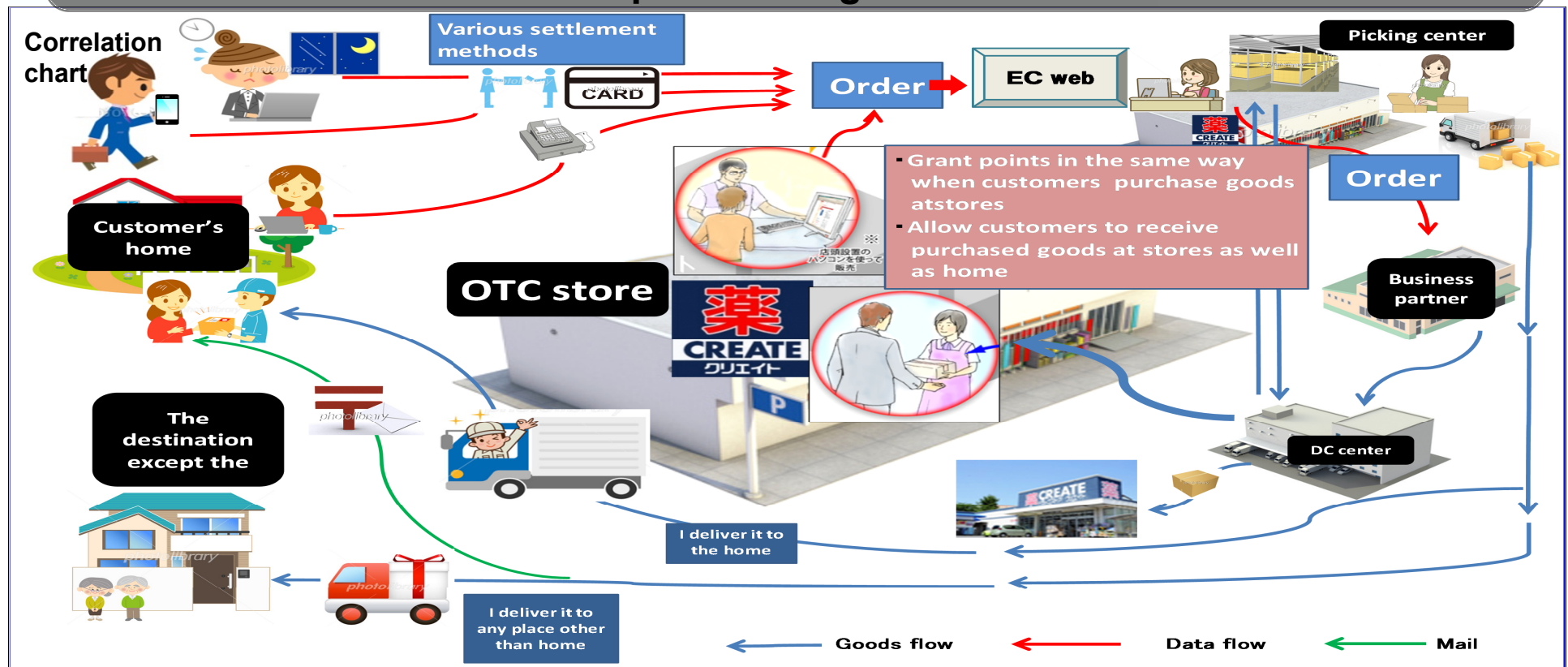
8. Action for the future

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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



8. Action for the future

Create SD

Expand the application of the assisted ordering system

- Improve the accuracy of ordering and reduce the time of ordering processes
- Achieve lower costs and easier customization by in-house development

▪ introduction effects

- Reduce working hours
- Reduce dead stock
- Prevent a stock out

- Improvement of the customer satisfaction by the increase of the waiting on customers time
- Realization of the low cost operation

9. Fee-charging Nursing Home and Preventive Nursing Business

**Wellife
SALON DAY**

	1H FY2014		
	(million yen)	Share (%)	YoY change (million yen)
Net sales	698	100.0	+94
Operating profit	25	3.6	+13
Recurring profit	23	3.4	+11
Net profit	3	0.4	+24

* The income statement is based on the simple addition of figures for Wellife Co., Ltd. and SALON DAY CO., LTD.

Preventive nursing business (SALON DAY)

**Opened 2 day service centers
creating a network of 32 centers**
Long-term care support center 1 center

Number of day service centers
at the end of 1H FY2014

Stand-alone centers: 24
In-store centers: 8



FY2014 Forecasts (Consolidated)

No revisions were made to forecasts for the full fiscal year

	FY2013 (consolidated results)		FY2014 (consolidated projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Net sales	181,966	100.0	196,300	100.0	107.9
Gross profit	48,510	26.7	52,040	26.5	107.3
SG&A expenses	38,467	21.1	41,870	21.3	108.8
Operating profit	10,043	5.5	10,170	5.2	101.3
Recurring profit	10,329	5.7	10,500	5.3	101.7
Net profit	5,965	3.3	6,189	3.2	103.8