



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



***FY2009 (6/08-5/09) Interim Results Explanatory Meeting
January 23, 2009***

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.

1. Cumulative performance in 2Q of FY2009

We achieved our forecast for recurring profit despite higher costs in 1Q and the economic downturn in 2Q!

	1H FY2008		1H FY2009			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)	Percentage of forecasts (%)
Net Sales	62,798	100.0	68,984	100.0	109.9	98.6
Gross Profit	16,129	25.7	18,213	26.4	112.9	101.2
SG&A Expenses	12,226	19.5	14,263	20.7	116.7	101.5
Operating Profit	3,903	6.2	3,949	5.7	101.2	100.0
Recurring Profit	3,977	6.3	4,055	5.9	101.9	100.4
Net Profit	2,099	3.3	2,056	3.0	97.9	99.8

2. Net sales and gross profit margin by segment

Gross profit margin was greatly improved, with the exception of foods (food products drove customer numbers)



Overall gross profit margin **increased 0.7% YoY to 26.4%**

	1H FY2008			1H FY2009			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	14,184	22.6	38.5	15,490	22.5	109.2	39.6	+1.1
Cosmetics	11,569	18.4	27.8	12,509	18.1	108.1	30.5	+2.7
Food Products	18,561	29.6	17.8	20,911	30.3	112.7	16.7	-1.1
Daily Products	12,448	19.8	24.1	13,537	19.6	108.8	25.9	+1.9
Other	6,034	9.6	18.9	6,535	9.5	108.3	19.2	+0.3
Total	62,798	100.0	25.7	68,984	100.0	109.9	26.4	+0.7

- "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 **20.7%** from **19.5%** due to an increase in the number of new stores

	1H FY2008		1H FY2009		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Total SG&A Expenses	12,226	19.5	14,263	20.7	116.7
Personnel Expenses	5,907	9.4	6,863	9.9	116.2
Advertising Expenses	1,132	1.8	1,288	1.9	113.8
Other Expenses	5,187	8.3	6,111	8.9	117.8

Personnel expenses: Due to program improvements and revisions to the wage structure of partners and part-time workers

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

Others: Depreciation due to increased prices for new-store equipment and supplies (consumables)

New stores:
21 new stores opened in first half



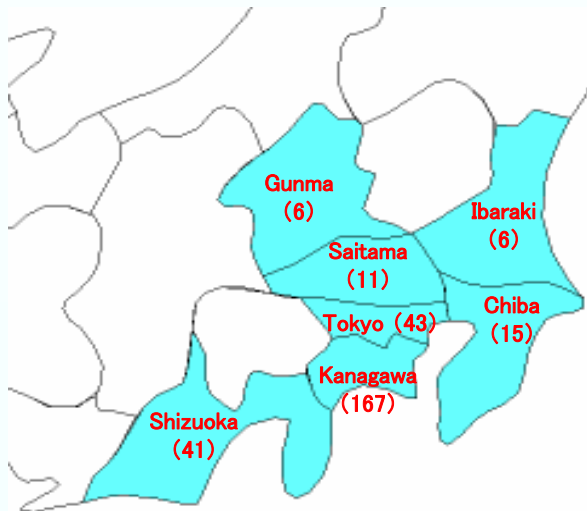
Total of 35 new store openings planned for fiscal year

Store opening by area

	Kanagawa	Tokyo	Shizuoka	Saitama	Chiba	Gunma	Ibaraki	Total
1H FY2009	9	2	3	3	1	1	2	21



Number of stores at the end of 1H FY2009	167⁽⁸⁾	43⁽¹⁾	41	11	15	6	6	289⁽⁹⁾
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Number of new stores by type
16 suburban stand alone, 1 Station-front
2 suburban complex, 2 shop in NSC

Total 33 pharmacies at the end of 1H
(9 stand-alone and 24 in stores)
***Four in-store pharmacies opened this period**

Gross profit margin

Product, sales, and management strategies enhanced profitability

Measures to improve gross profit margin

I. Product strategy

Expand PB ratio;
Joining by Nichiryu

II. Sales strategy

Reduce needless sales
changes by revising rules for
managing store-specific pricing

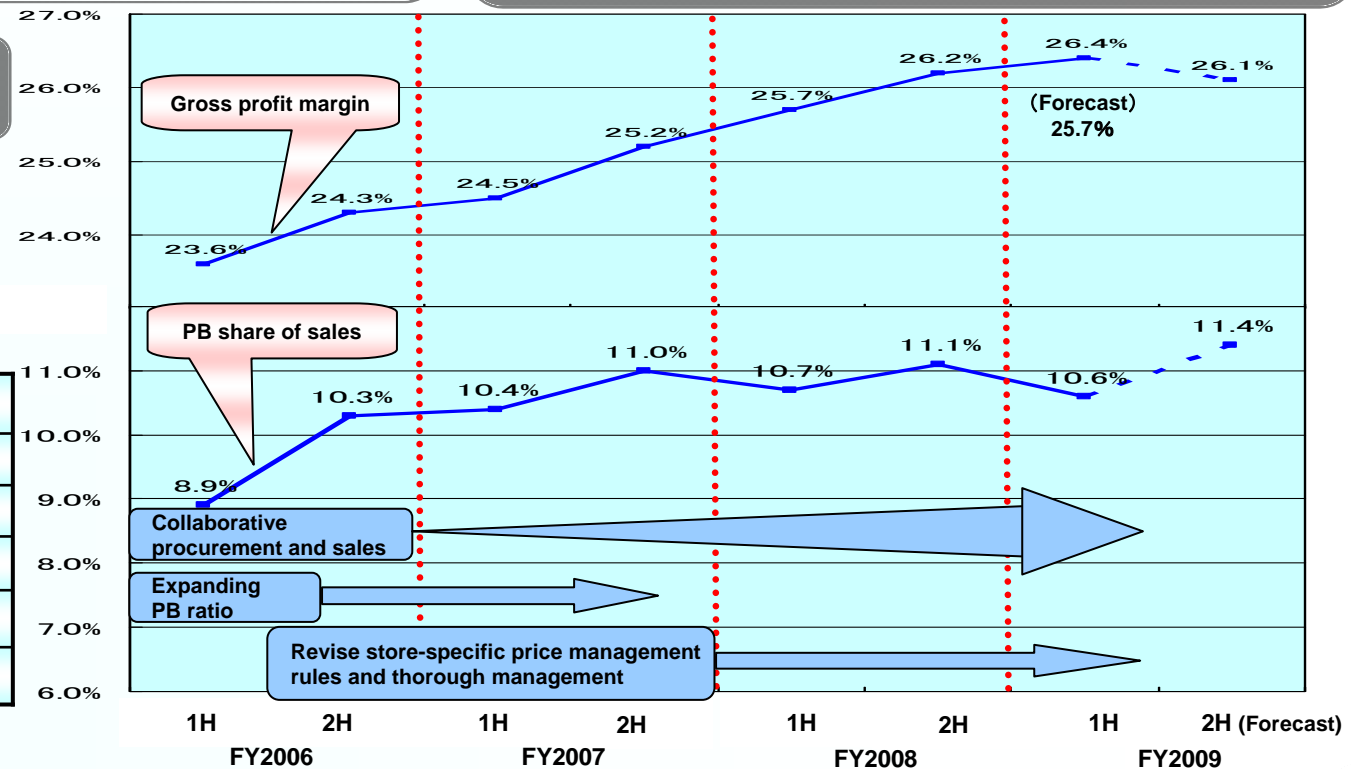
III. Management strategy

The product division and store-operations division united
to leverage the benefits of scale by turning the ability to sell
individual items into strength when buying from suppliers
(Planned Procurement and Sales)

Trends in gross profit margin (top)
and PB share of sales (bottom)

Trends in PB

	No. of Items	Sales	Share
FY 2006	599	9,739 million yen	9.6%
FY 2007	653	11,792 million yen	10.7%
FY 2008	731	13,487 million yen	10.9%
(1H FY 2008)	675	6,539 million yen	10.7%
1H FY 2009	704	7,090 million yen	10.6%



SG&A: Cost of existing stores was **99.3% YoY**



These up-front expenses were a factor in the higher SG&A expense ratio
(1) investment in new stores
(2) introduction of automatic change makers

1. Expenses of existing stores in first half

SG&A expense ratio was **99.3% YoY**

SG&A expense ratio: **16.1% (+0.1% YoY)**

* SG&A expense ratio increased because existing-store sales were 99% YoY

2. As we accelerate new-store openings, our new-store investment (which is an up-front investment) increased

	Number of new-store openings	Number of stores treated as new open for less than 13 months	Proportion of stores open for less than 13 months	Overall SG&A expenses
FY2005	26 stores	—	—	18.5%
FY2006	21 stores	36 stores	18.2%	19.4%
FY2007	30 stores	36 stores	15.7%	18.9%
FY2008	40 stores	50 stores	18.7%	20.0%
FY2009 (forecasts)	35 stores	57 stores	18.8%	20.2%

* Stores considered to operate for half-year in the year they open

SG&A expense ratio expected to go from 18.9% in FY2007 to 20.2% in FY2009

(Main causes of change)

- * Personnel expenses: +0.3%
- * Depreciation: +0.4%
- * (Lease: -0.1%)
- * Rents: + 0.3%

The change of depreciation method increased depreciation expenses to **195.1%** of the FY2007 level; in terms of sales ratio, there was a **0.4% increase**

Eliminate difference from forecast in second half through gap countermeasures

There was a difference from forecast of about 200 million yen, in part due to upward pressure on expenses

1. Main gap factors

1. Personnel expenses: +126 million yen

Due to improvements to part-time program and revisions to the wage structure of partners and part-time workers

2. Consumable expenses at new stores +50 million yen

3. Depreciation at new stores +65 million yen

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- (1) Increased prices of equipment and materials for outfitting new stores
 - (2) More large stores

2. Measures to eliminate difference from forecast in second half

(1) 200 million yen in measures already implemented

- ◆ Revision of contracting agreements, etc. (40 million yen)
- ◆ Postpone introduction of automatic change makers in second half (50 million yen)
- ◆ Money for headquarters move expenses not used (50 million yen)
- ◆ Promotion of movement to bring own shopping bags (20 million yen)
- ◆ Others (40million yen)

(2) Other additional measures also started

- ◆ Measures to reduce store electric bills (20 million yen)
- ◆ Prohibit use of color copies (4 million yen)

Response to start of drug sales by different industries following enforcement of revised Pharmaceutical Law

1. Entrance from other industries

GMS·SM·HC

- Expand number of stores carrying
- Carried at all Itoyokado, Aeon, and Maruetsu stores

Volume home appliance stores

- Opened 60 *tsubo* (~198 m²) medical-product sales area at Takasaki Ekimae store of Yamada Denki (opened 2008/07)

CVS

- Two FamilyMart stores have already started to carry them (aiming for 300 stores within three years)

2. Our response

Expand and enhance expertise of in-store pharmacies

Pharmacists

Specialize in sales of prescriptions and class-one medical products

Registered sellers

Sell class-2 and 3 medical products

Differentiate by creating drug stores where anybody can get advice any time

Enhanced
prescription-store initiatives

Within 3 years,
create **100-store prescription network**

1. Forecast for this fiscal year

End-2Q performance
Four in-store pharmacies
opened

Stores as of end of period: 33
(9 of which are dedicated prescription
drug stores)

FY2009 (FY forecast)
Open 10 in-store pharmacies

Stores as of end of period: 39
(9 of which are dedicated prescription
drug stores)

2. Next period and thereafter

Plan to open 20 stores/FY

Set up one in-store pharmacy
within 2-km radius of dominant areas

	Number of new prescription stores
FY 2010	20 stores
FY 2011	20 stores
FY 2012	20 stores
FY 2013	30 stores



Pharmacists, nutritionists
and registered sellers

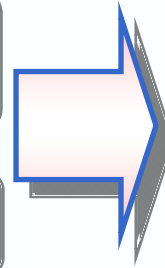


Solutions-oriented drug stores

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)

Improve qualifications and motivation of
pharmacists through conference

Test and train registered sellers



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**



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%)

(Reference)

2H FY2009 Forecasts

	2H FY2009 Forecasts			
	(million yen)	Share (%)	Y o Y change (%)	Comments
Net Sales	72,000	100.0	110.7	Existing Stores ratio : 100.1% New Stores : 14 (-5 stores YoY)
Gross Profit	18,790	26.1	110.1	2H FY2008 : 26.2% (-0.1% YoY)
SG&A Expenses	14,620	20.3	110.5	
Operating Profit	4,170	5.8	108.9	
Recurring Profit	4,260	5.9	109.7	
Net Profit	2,300	3.2	106.5	