FY2009 (6/08-5/09) Results Explanatory Meeting

July 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 (045-979-3711) in the Corporate Planning Office.

Transfer to a holding company system

When creating consolidated financial statements for the fiscal year, figures for the following period for each company were used:

- **CREATE SD CO., LTD. – June 2008 through May 2009**
- **CREATE SD HOLDINGS CO., LTD. – March through May 2009**
- **Welllife Co., Ltd. – Only the balance sheet figures (as of March 2009)**

CREATE SD HOLDINGS CO., LTD.

CREATE SD CO., LTD.
(Drug store/prescription operations)

Welllife Co., Ltd.
(Fee-charging nursing home/preventive nursing operations)

March 1, 2009:
Create SD was transformed into a wholly-owned subsidiary through a stock swap

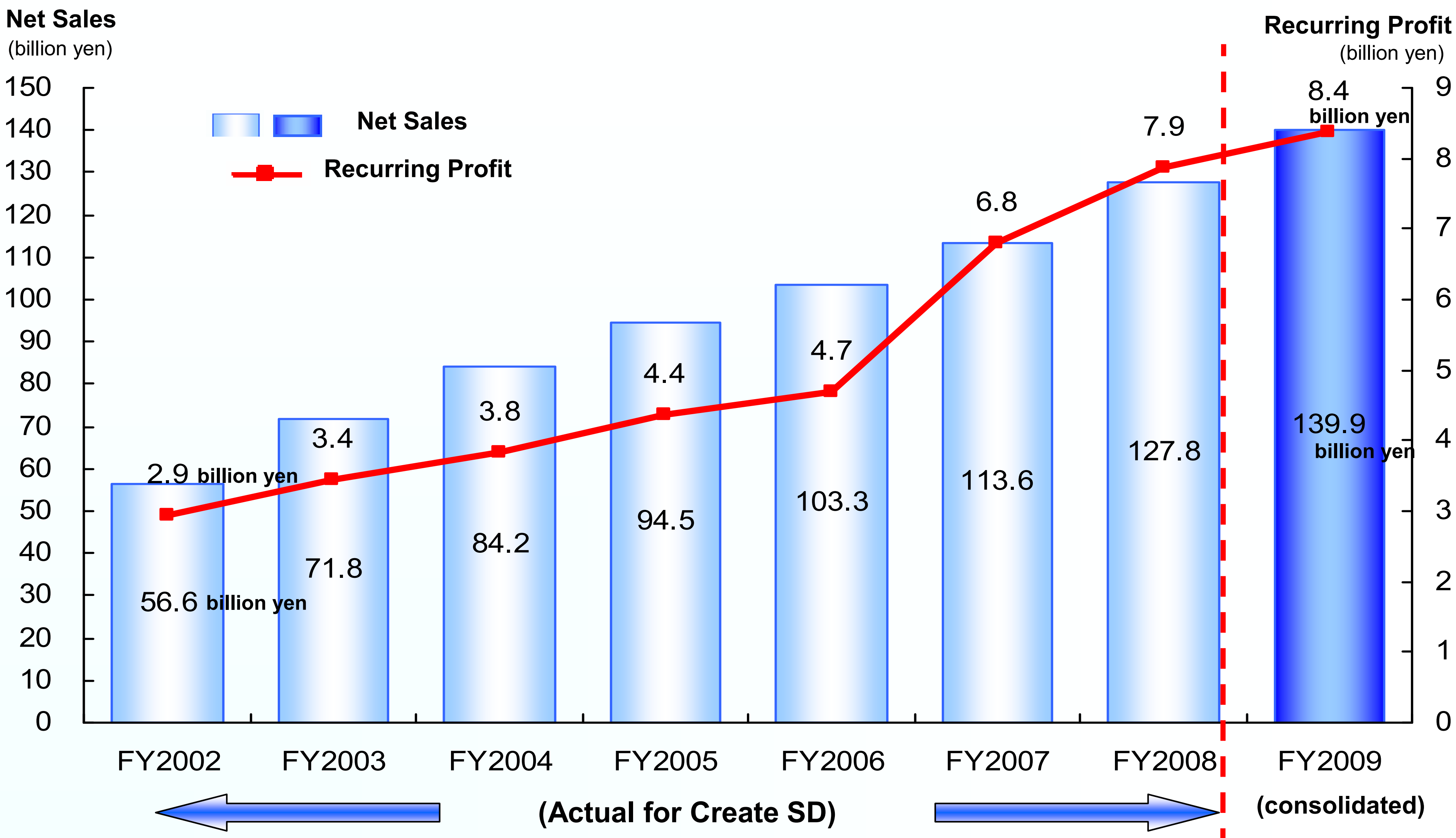
April 3, 2009:
Welllife was transformed into a wholly-owned subsidiary

CREATE SD HOLDINGS

FY2009
Consolidated results

CREATE SD HOLDINGS

Achieved 8 straight years of increased sales and profits



* Figures for FY2002 through FY2008 are the figures for Create SD alone.

CREATE SD HOLDINGS

1. FY2009 Consolidated Profit and Loss Statement

	FY2008 (Create SD)		FY2009 (consolidated)			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)	% of Projection (%)
Net sales	127,817	100.0	139,932	100.0	109.5	98.5
Gross Profit	33,189	26.0	37,269	26.6	112.3	101.3
SG&A Expenses	25,457	20.0	29,094	20.8	114.3	101.5
Operating Profit	7,732	6.0	8,175	5.8	105.7	100.7
Recurring Profit	7,860	6.1	8,396	6.0	106.8	101.2
Net Profit	4,260	3.3	4,510	3.2	105.9	103.4

* The consolidated P/L statement was created by consolidating Create SD's P/L statement for the full fiscal year (June 1, 2008 – May 31, 2009) with Create SD Holding's P/L statement from when the stock swap was executed (March 1, 2009–May 31, 2009).

2. FY2009 Consolidated Balance Sheet

(million yen)

	FY2008 (Create SD)	FY2008 (consolidated)	Change
Total assets	46,162	53,560	+7,398
Current assets	26,952	30,654	+3,701
Fixed assets	19,209	22,906	+3,696
Total liabilities	23,771	27,376	+3,604
Current liabilities	22,647	24,811	+2,164
Fixed liabilities	1,124	2,564	+1,440
Net assets	22,390	26,184	+3,793
Total liabilities and net assets	46,162	53,560	+7,398

Main causes for the change

Total assets:
Products +1,049 million yen
Fixed assets +3,696 million yen

Total liabilities:
Accounts payable +1,652 million yen

Net assets:
Dividends -710 million yen
Net profit 4,510 million yen

Capital ratio of 48.9%
Reference: Capital ratio for Create SD was 48.5% for FY2008

* The consolidated BS was created by consolidating Create SD's BS as of May 31, 2009, Create SD Holding's balance sheet as of May 31, 2009, and Welllife's balance sheet as of March 31, 2009.

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3. FY2009 Consolidated Statement of Cash Flows

(million yen)

	FY2008 (Create SD)	FY2009 (consolidated)	Change
Cash flow from operating activities	5,508	6,013	+505
Cash flow from investing activities	-3,955	- 4,183	- 228
Cash flow from financing activities	- 601	- 768	- 167
Change in cash and cash equivalents	951	1,061	+ 110
Opening balance of cash and cash equivalents	10,304	11,255	+ 951
Closing balance of cash and cash equivalents	11,255	12,317	+1,061

Major items

- **Net income before taxes** **7,956 million yen**
- **Depreciation** **1,862 million yen**
- **Corporate taxes paid** **3,909 million yen**

In connection with the opening of 32 new stores:

- **Purchase of fixed tangible assets** **2,808 million yen**
- **Joint loans for construction** **817 million yen**

- **Repayment of long-term loans** **51 million yen**
- **Dividends** **710 million yen**

* The consolidated statement of cash flows was created by consolidating Create SD's statement of cash flows for the full fiscal year (June 1, 2008 – May 31, 2009), Create SD Holdings' statement of cash flows from when the stock swap was executed (March 1, 2009 – May 31, 2009), and Welllife's cash and cash equivalents as of March 31, 2009.

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Results for the drugstore business

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1. Store openings

FY2009: 32 store opened

\+

FY2008: 40 store opened fully contributed to earnings

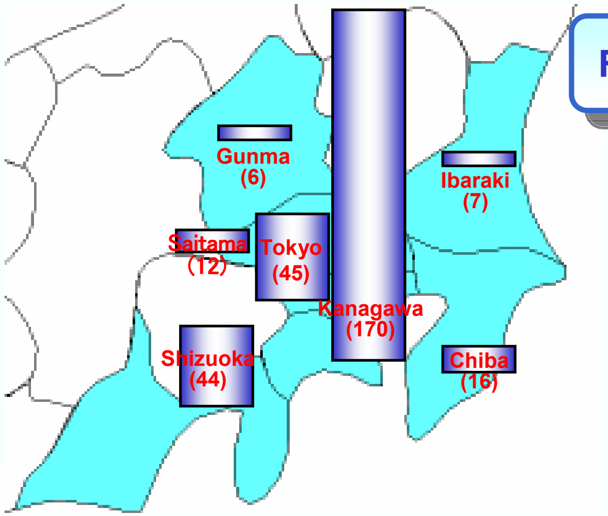
→

Net sales were 109.5% of the previous fiscal year level

Store openings by area

	Kanagawa	Tokyo	Shizuoka	Saitama	Chiba	Gunma	Ibaraki	Total
FY2009	12	4	6	4	2	1	3	32
Number of stores at the end of FY2009	170 (8)	45 (1)	44	12	16	6	7	300 (9)

Figures in parenthesis are the number of dedicated prescription drug stores.



Fell 3 stores short of the initial projection to open 35 stores

Store openings by type

Suburban stand alone	26
Suburban complex	2
Station-front	1
Shop in NSC	3

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2. Sales by segment

Gross profit margin rose 0.6 percentage points to 26.6% YoY as a result of a decline in the cost of goods purchased and the concentrated marketing of products with high margins.

Medical and Health Products +1.3 pt YOY (39.1→40.4%)

Net sales rose 11.1% and gross profit margin increased 1.3 percentage points as the products to combat influenza and cold sold well in winter, as well as the products to combat swine flu in April and May.

Cosmetics +2.2 pt YOY (28.0→30.2%)

Gross profit margin increased 2.2 percentage points as the share of products without a manufacturer's recommended price printed on the packaging rose and the share of private brand (PB) products and their profit margins increased.

Food Products -0.7 pt YOY (17.7→16.9%)

Net sales rose 12.2% even though the gross profit margin shrank 0.7 percentage points due to hikes in the cost of goods purchased and lowered selling prices.

Daily Products +1.2 pt YOY (24.2→25.4%)

The price of goods purchased (paper products) declined after increasing during the previous fiscal year.

	FY2009			Gross Profit Margin	
	Net sales (million yen)	Share (%)	YoY Change (%)	%	YoY Change (percentage points)
Medical and Health Products	32,708	23.4	111.1	40.4	+1.3
Cosmetics	24,899	17.8	106.3	30.2	+2.2
Food Products	42,337	30.2	112.2	16.9	-0.7
Daily Products	26,817	19.2	107.8	25.4	+1.2
Other	13,168	9.4	106.7	19.4	-0.3
Total	139,932	100.0	109.5	26.6	+0.6

* "Other" includes items such as baby products, clothing, pet products, gardening products, and film development services.

Trends in PB products (company-wide)

	Volume (SKU)	Net sales (million yen)	Share of sales
FY 2007	653	11,792	10.7%
FY 2008	731	13,487	10.9%
FY 2009	720	14,302	10.6%

3. Efforts to reduce costs (1)

Although the SG&A expense ratio rose from 20.0% to 20.8%,
the ratio for existing OTC stores was 99.3% of the previous fiscal year level.

Strict cost reduction measures implemented company-wide
→ Expenses were broken down and analyzed for cost reductions.

- **Personnel expenses**
  (100.5% of the previous fiscal year level)

  AM's concentrated efforts to improve operations at stores. Increases in unit costs for partners and part-time workers were absorbed by controlling man-hours.

- **Flyer expenses**
  (60.8% of the previous fiscal year level)

  (1) Selected effective distribution areas based on analysis
  (2) Lowered unit printing cost per flyer
  (3) Lowered cost of inserting flyers

- **Other**
  (97.9% of the previous fiscal year level)

  Managed unit price and volume separately

* In FY2010, a staff member will be assigned to be in charge for the 100 major cost items to manage the costs more strictly.

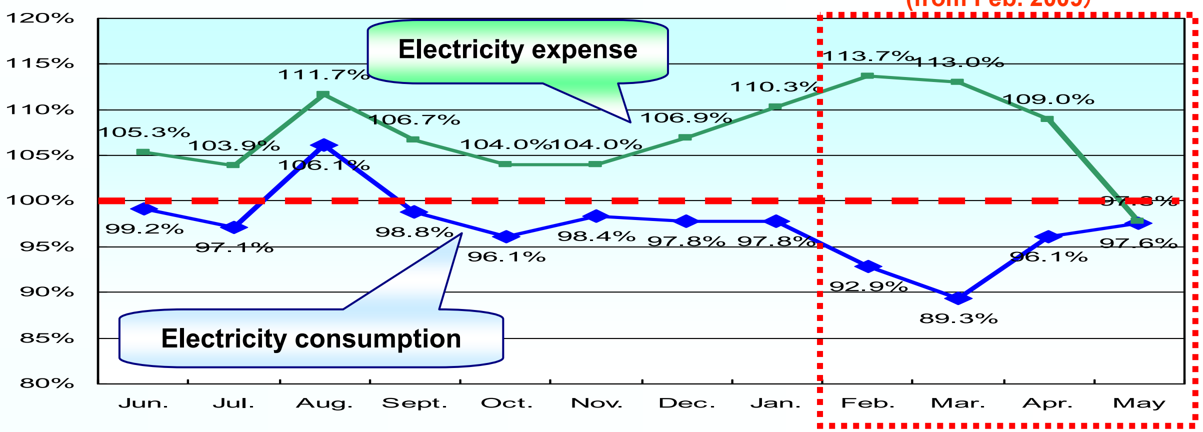
3. Efforts to reduce costs (2)

Example 1) Utility expenses (electricity)

The benefits of efforts were **made visible** by keeping track of and managing electricity consumption.

Although the increase in the unit price, expenses were **reduced by around 23 million yen**.
* Actual for February – May 2009

Yearly Changes in Electricity Consumption and Expense (existing stores)



Example 2) Packaging expenses (plastic bags)

Promotion of efforts to have customers use their own shopping bags

Percentage of customers using their own shopping bags rose to 9.7% as of May 2009, **reducing annual costs by around 14 million yen**

CO_2 emissions were reduced 515,000 L from reduced electricity consumption and 50 million L from reduced use of plastic bags.

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4. Prescription Division

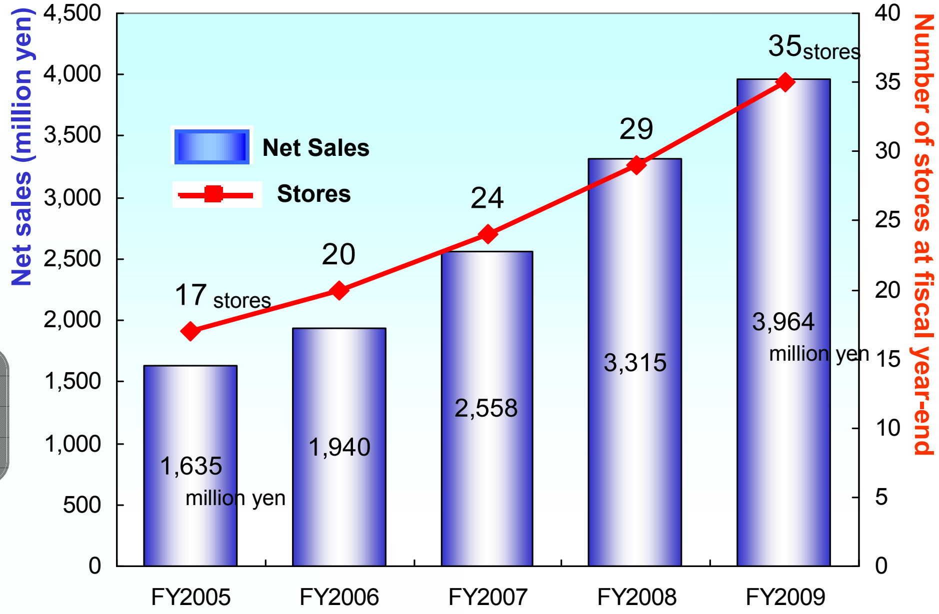
Seven new pharmacies (in-store type) were opened
*** Net increase of six pharmacies since one (in-store type) was closed**

35 stores at the end of FY2009

Dedicated prescription drug stores: 9 + **In-store pharmacies: 26**

- **Open them in a core store for each area**
- **Cooperate with nursing facilities to provide instructions on medication during the home visit**

Net Sales and Number of Stores for Prescription Division



5. Welllife Co., Ltd.

1. Company name	Welllife Co., Ltd.
2. Main operations	Operation and management of fee-charging nursing homes
3. Business locations	(1) Well Heime Tokyo – fee-charging nursing home (2) Well Heime Hachiouji – fee-charging nursing home (3) SALON DAY Well Heime – day-care facility
4. Employees	58 (as of March 31, 2009)
5. Capital	338 million yen

Net sales for the last two years

	FY2008	FY2009
Net Sales	749 million yen	740 million yen

(fiscal year-end: March 31)

FY2010 Projections

FY2010 Forecasts (consolidated)

Achieve 9 straight years of increased sales and profits

	FY2009 (actual)		FY2010 (forecasts)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Net Sales	139,932	100.0	148,400	100.0	106.1
Gross Profit	37,269	26.6	40,173	27.1	107.8
SG&A Expenses	29,094	20.8	31,548	21.3	108.4
Operating Profit	8,175	5.8	8,620	5.8	105.4
Recurring Profit	8,396	6.0	8,950	6.0	106.6
Net Profit	4,510	3.2	4,570	3.1	101.3

Capital Expenditures	3,600 million yen (YoY change: 79.1%)
Depreciation Expense	2,140 million yen (YoY change: 114.9%)

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Projections for the drugstore business

1. Growth strategy for the drug store operations

Firmly dominate the Kanto and Tokai regions
– Priority areas: Kanagawa, Shizuoka, and Tokyo

Maintain the largest share of suburban stores in the three prefectures.

Create SD's share of stores by prefecture for FY2008

	Kanagawa	Tokyo	Shizuoka	Total
Share of stores	32%	8%	13%	18%
Ranking	No. 1	No. 4	No. 4	No. 1

Source: *2009 HCI Drugstore Business Statistics*

Continue to open mainly the suburban drug stores with an area of 200–300 *tsubo* (1 *tsubo* ≈ 3.3m²)

Number of stores as of May 31, 2009

Kanagawa	170
Tokyo	45
Shizuoka	44
Other	41
Total	300

Expand to 450 stores in five years

Kanagawa	250
Tokyo	70
Shizuoka	70
Other	60
Total	450

Expand to 600 stores in eight years

		Share of stores
Kanagawa	300	40%
Tokyo	100	15%
Shizuoka	100	15%
Other	100	—
Total	600	

Create a network of 500 stores in the three prefectures

2. Restrain store openings for two years and focus on invigorating existing stores

Work to further strengthen earnings structure, and then…
➔ Accelerate once again when pharmacy students start graduating from the six-year program (April 2012)

New store openings: 25

- Open stores by carefully selecting quality stores.
- Enhance operations in existing dominant areas, particularly in Kanagawa

Projected store openings for FY2010

Kanagawa	Tokyo	Shizuoka	Saitama	Ibaraki	Total
15	3	5	1	1	25

Store closings: 4

Mainly the stores whose contracts will expire

Number of stores as of May 31, 2010 (projection)

Kanagawa	Tokyo	Shizuoka	Saitama	Chiba	Gunma	Ibaraki	Total
183 (8)	47 (1)	49	13	15	6	8	321 (9)

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3. Measures to invigorate existing stores

1. Attract more customers by lowering selling prices

Expect intensified competition with other types of stores such as GMS and SM. Maintain price advantage by lowering the selling prices of frequently-purchased products

• Budget-Pleasing Sales • Sorry-If-Sold-Out Sales • Limited Time Specials

2. Attract more customers by improving convenience

Improve customer satisfaction by researching and analyzing ever-changing customer needs

- **Expand the line-up of product categories to enhance**
- **Introduce new product categories attractive to customers**
- **Introduce new convenient services**

In addition,
Invigorate sales floor development by conducting various sales contests
*** This will also lead to improved employee skills.**

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4. Prescription Division

Prescription operations

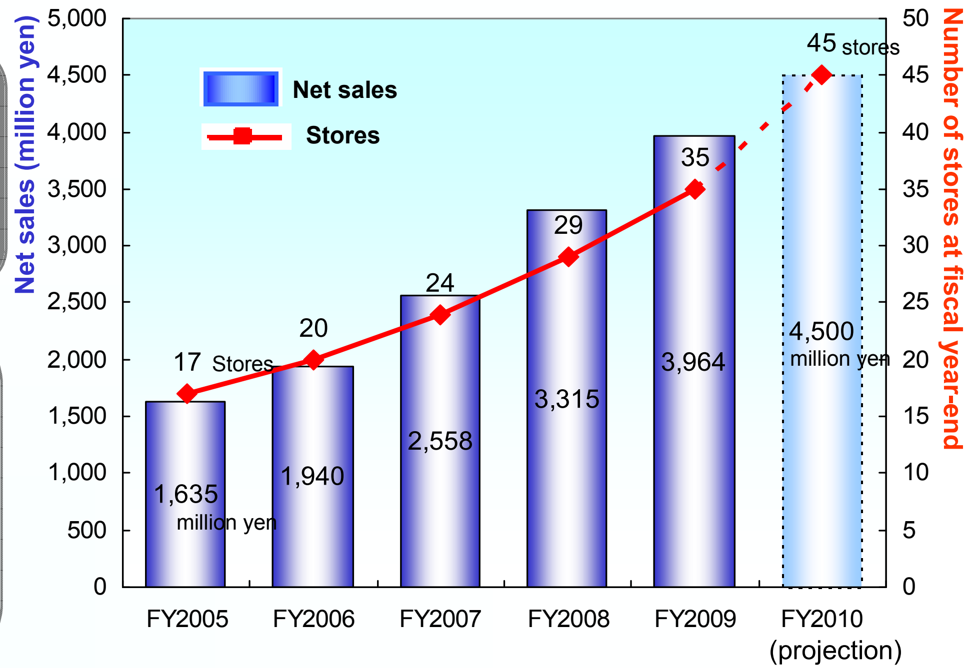
New store openings
10 new stores, mainly the in-store pharmacies
*** 45 stores at fiscal year-end (projection)**

Strengthen efforts related to providing instructions on medication during the home visit

- **Tie up with additional 7 nursing care facilities (expand to a total of 17)**

- **Team up with doctors, nurses, and nursing care staff to support residents**
- **Meet the demand for prescriptions from nursing care facilities at in-store pharmacies**
  → Aim to improve profitability

Net Sales and Number of Stores for Prescription Division



5. Fee-charging Nursing Home Division

1. Develop the day-care facility SALON DAY Well Heime

- A new type of day-care facility to provide both a place for communication among visitors and preventive nursing through rehabilitative training
- Examine specific actions for increasing these facilities, and also consider opening them in drug stores

2. Make use of the group's capabilities and improve services for residents at nursing homes

- Further improve the satisfaction of residents in cooperation with Create SD's pharmacists and nutritionists
- Provide nursing care and daily products from Create SD

Synergies to improve sales and profits generated for Create SD as well