



CREATE SD HOLDINGS

FY2010 (6/09-5/10) Results Explanatory Meeting July 23, 2010

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.

FY2010

Consolidated Results

1. FY2010 Consolidated Profit and Loss Statement

	FY2009 results		FY2010 results			
	(consolidated)		(consolidated)			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of projection (%)
Net sales	139,932	100.0	149,081	100.0	106.5	100.9
Gross profit	37,269	26.6	38,713	26.0	103.9	100.9
SG&A expenses	29,094	20.8	31,434	21.1	108.0	100.5
Operating profit	8,175	5.8	7,279	4.9	89.0	102.2
Recurring profit	8,396	6.0	7,610	5.1	90.6	102.1
Net profit	4,510	3.2	3,686	2.5	81.7	101.0

2. FY2010 Consolidated Balance Sheet

(million yen)

	May 31, 2009 (consolidated)	May 31, 2010 (consolidated)	Change
Total assets	53,560	56,721	+3,160
Current assets	30,654	33,237	+2,583
Fixed assets	22,906	23,484	+577
Total liabilities	27,376	27,739	+362
Current liabilities	24,811	25,261	+449
Fixed liabilities	2,564	2,477	-86
Total net assets	26,184	28,982	+2,797
Total liabilities and net assets	53,560	56,721	+3,160

Main causes of change

Total assets

Products +2,006 million yen
Fixed assets +577 million yen

Total liabilities

Accounts payable +975 million yen

Total net assets

Dividends -890 million
Net profit +3,686 million

Capital ratio of 51.1%

Reference: 48.9% for FY2009

3. FY2010 Consolidated Statement of Cash Flows

Breakdown

(million yen)

	FY2009 (consolidated)	FY2010 (consolidated)	Change
Cash flow from operating activities	6,013	3,987	-2,026
Cash flow from investing activities	-4,183	-2,565	+1,618
Cash flow from financing activities	-768	-1,213	-445
Change in cash and cash equivalents	1,061	208	-853
Opening balance of cash and cash equipments	11,255	12,317	+1,062
Closing balance of cash and cash equipments	12,317	12,525	+208

Net profit before taxes 7,404 million yen
 Depreciation expenses 2,074 million yen
 Corporate taxes paid 4,085 million yen

Cash flows related to the opening of 22 new stores
 Purchase of fixed tangible assets 2,053 million yen
 Joint loans for construction 667 million yen

Repayment of long-term loans 472 million yen
 Dividends 890 million yen

Results for Each Business Company

1. FY2010 Profit and Loss Statement (Create SD)

Both sales and profits declined for various reasons including an increase in SG&A expenses due to the Revised Pharmaceutical Affairs Act, sales decrease of flu related products in 2H, and weak demand for cold and hay fever products.

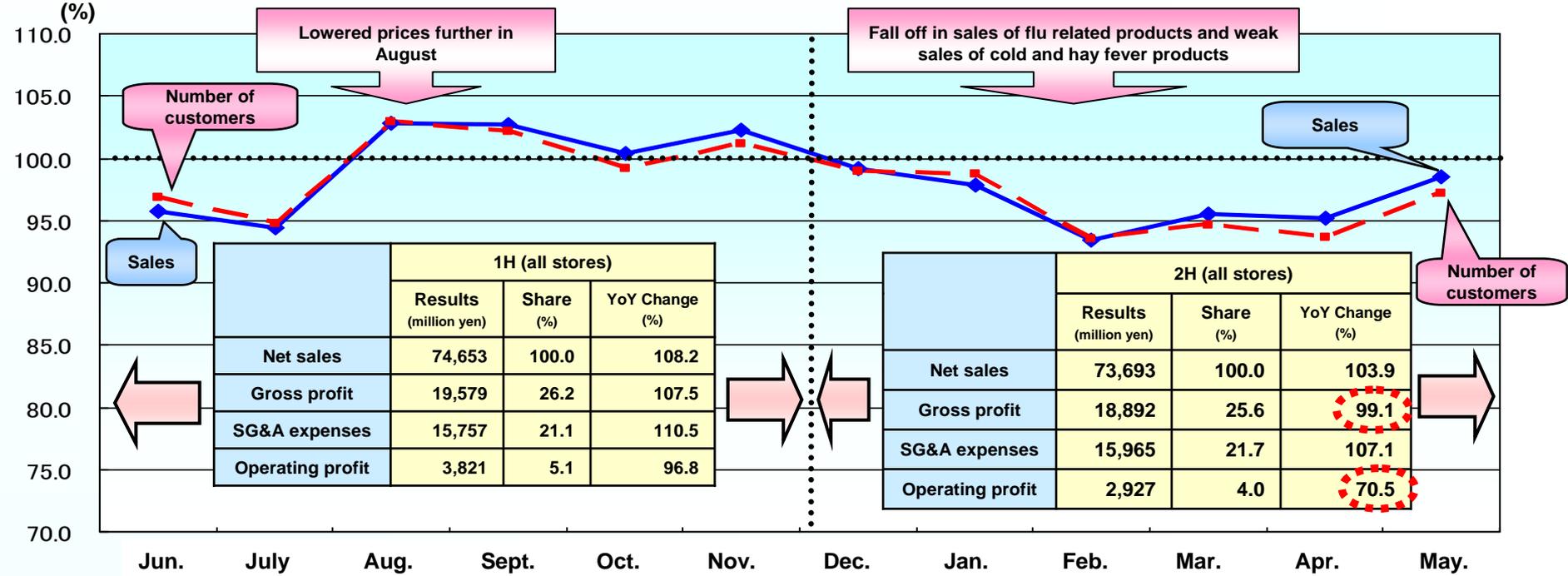
	FY2010 results				
	(million yen)	Share (%)	YoY change (%)	% of projection (%)	Difference from projection (million yen)
Net sales	148,346	100.0	106.0	100.9	+1,347
Gross profit	38,472	25.9	103.2	100.9	+352
SG&A expenses	31,722	21.4	108.8	100.7	+233
Operating profit	6,749	4.5	83.3	101.8	+119
Recurring profit	6,970	4.7	83.8	101.6	+111
Net profit	3,882	2.6	86.8	99.2	-31

2. Sales and Gross Profit

Prices were lowered as consumers became more price conscious

For existing stores, sales fell 1.8%, the number of customers declined 2.2%, and average spending per customer rose 0.1% compared to the previous year.

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



Operating profit fell around 30% year on year due to decline in gross profit in 2H.

3. Results by Segment

Gross profit margin fell 0.7 percentage points compared to the previous year due to sales strategy.

	FY2010 results			Gross profit margin	
	Sales (million yen)	Share (%)	YoY Change (%)	(%)	YoY Change (percentage points)
Medical and health products	34,301	23.1	104.9	39.6	-0.8
Cosmetics	25,755	17.4	103.4	29.7	-0.5
Food products	47,104	31.8	111.3	16.1	-0.8
Daily products	28,302	19.1	105.5	25.4	±0.0
Other	12,882	8.6	97.8	19.2	-0.2
Total	148,346	100.0	106.0	25.9	-0.7

Medical and health products

The gross profit margin for medical and health products declined 0.8 percentage points to 39.6% year on year for several reasons. In 1H demand for flu related products was particularly strong, pushing sales up to the same level as those for the previous fiscal year, but the demand fell off in 2H, and for cold and hay fever related products, the demands were also weak.

Cosmetics

The gross profit margin on cosmetics declined 0.5 percentage points to 29.7% year on year as prices for bath related products (shampoo, hair conditioner, etc.) were lowered for Budget Pleasing Sales.

Food products

Sales of food products increased 11.3% year on year, as prices were made more competitive through emergency price cuts initially implemented in August 2009, and food products' share of total sales grew 1.6 percentage points to 31.8%. On the other hand, the gross profit margin fell 0.8 percentage points to 16.1%.

Daily products

The gross profit margin on daily products remained the same level as that for the last year at 25.4%. Even though prices were cut, lowered costs contributed to the result.

The overall gross profit margin shrank 0.7 percentage points since food products' share of total sales increased 1.6 percentage points to 31.8% from 30.2% and other developments.

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

4. SG&A Expenses

SG&A expense ratio rose **0.6 percentage points to 21.4% from 20.8%**.

Rose 0.4 percentage points year on year after the adjustment for in-house transactions with the holding company.

Breakdown of **0.4 percentage point** increase

1. Increase in personnel expenses due to Revised Pharmaceutical Affairs Act

Impact of Revised Pharmaceutical Affairs Act: 443 million yen

- Qualification allowance for registered sales staff: 45 million yen
- Personnel expenses for pharmacists due to extended stores hours of in-store pharmacies under the same authorization: 62 million yen
- Increase due to earlier-than-expected recruiting: 336 million yen
 - * 18 months is necessary to train registered sales staff
 - * The number of store staff rose on average 0.3 employees per store compared to the beginning of FY2008 (increase of around 90 employees for 298 stores)

0.3 pp

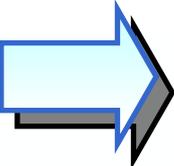
2. Increase in depreciation expense

0.1 pp

Introduction of automatic change registers at all stores (starting in FY2009): **+120 million yen**

5. New Store Openings

25 new stores were opened
(of which 3 were dedicated prescription pharmacies)



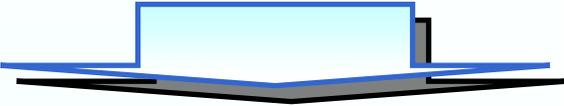
Sales rose 6.0%
year on year

Store openings by area

Figures in parenthesis are dedicated prescription pharmacies

	Kanagawa	Tokyo	Shizuoka	Saitama	Chiba	Gunma	Ibaraki	Total
New store opened during FY2010	14 (1)	4 (2)	5	1	0	0	1	25 (3)

Stores closed **2** **2** **2** **6**



	Kanagawa	Tokyo	Shizuoka	Saitama	Chiba	Gunma	Ibaraki	Total
Total number of stores (end of FY2010)	182 (9)	47 (3)	49	13	14	6	8	319 (12)



6. Prescription Operations

Create SD

6 new stores were opened
(3 dedicated prescription pharmacies and 3 in-store pharmacies)



A total of 41 stores at the end of the fiscal year
(12 dedicated prescription pharmacies and 29 in-store pharmacies)

	FY2010 results		
	(million yen)	Share (%)	YoY change (%)
Net sales	4,658	100.0	117.5
Gross profit	1,814	39.0	114.6

Existing stores:
Sales +9.8%
Prescriptions +3.3%



(Home service operations)	FY2010 results		
	(million yen)	Share (%)	YoY change (%)
Net sales	206	100.0	138.1
Gross profit	113	54.8	149.1

Medication guidance by visit
Collaboration with 13 nursing facilities

7. Fee-charging Nursing Home and Preventive Nursing Business

Two fee-charging nursing homes with care facilities and two day service centers were opened

	FY2010 results (April 1, 2009 - March 31, 2010)		
	(million yen)	Share (%)	% of projection (%)
Net sales	734	100.0	102.0
Operating profit	190	25.9	104.2
Recurring profit	187	25.5	93.6
Net profit	103	14.0	93.2

The second facility in Katakura (Hachioji-shi) was opened in March 2010.
The third facility attached to an OTC is expected to open in September 2010.

Working to increase the number of day service centers (preventive care and rehabilitative training)

Growth Strategy

1. Growth Strategy – Drug Store Operations

Firmly dominate the Kanto and Tokai regions
– focus on Kanagawa, Shizuoka, and Tokyo –

Maintain the largest market share (number of suburban stores) in the three prefectures

Create SD's market share (number of stores)

	Kanagawa	Tokyo	Shizuoka	Total
Market share (number of stores)	32%	8%	15%	18%
Ranking	1st	4th	3rd	1st

No change in share and ranking since last year

Source: 2010 HCI Drugstore Business Statistics
 Stores with a sales floor space of 90 tsubo (1 tsubo = 3.3m²) or more in 2009

Continue to open stores, particularly highly competitive large-scale suburban stores. Also promote stores near train stations and in city centers that do not carry food.

Store numbers (end of FY2010)

Kanagawa	182
Tokyo	47
Shizuoka	49
Other	41
Total	319

Next step
 • 30 stores during current fiscal year
 • More than 40 stores from next fiscal year

Store numbers (end of FY2014)

Kanagawa	250
Tokyo	70
Shizuoka	70
Other	60
Total	450

Store numbers (end of FY2017)

Kanagawa	300	35%
Tokyo	100	10%
Shizuoka	100	20%
Other	100	—
Total	600	

500 stores in 3 prefectures and 20% market share (in number of stores)

2. Growth Strategy – Prescription Operations

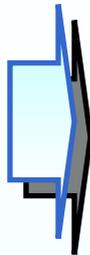
The mission of a drug store is to contribute to medical and nursing care in the local community.

Create SD will become a company that firmly fulfills this mission.

Open **10 stores annually**, mainly in-store pharmacies attached to drug stores

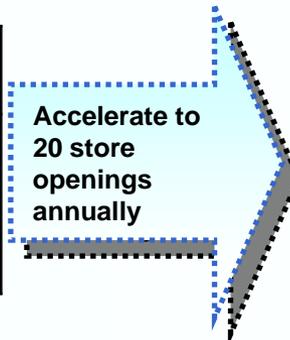
End of FY2010

In-store pharmacies	29
Dedicated prescription pharmacies	12
Total	41



End of FY2014

In-store pharmacies	50
Dedicated prescription pharmacies	30
Total	80



End of FY2017

In-store pharmacies	90
Dedicated prescription pharmacies	50
Total	140



Expand medication guidance by visit **mainly for nursing home demand**

13 facilities
by the end of
FY2010

30 facilities
by the end of
FY2014

50 facilities
by the end of
FY2017



3. Growth Strategy – Nursing Operations

Expand **rehabilitation-type day service**
 → spin off the company to accelerate the opening of new stores



Rehabilitation day services

Strength training + Dementia prevention + Psychological care (talks over tea)

* With transportation from home to the facility

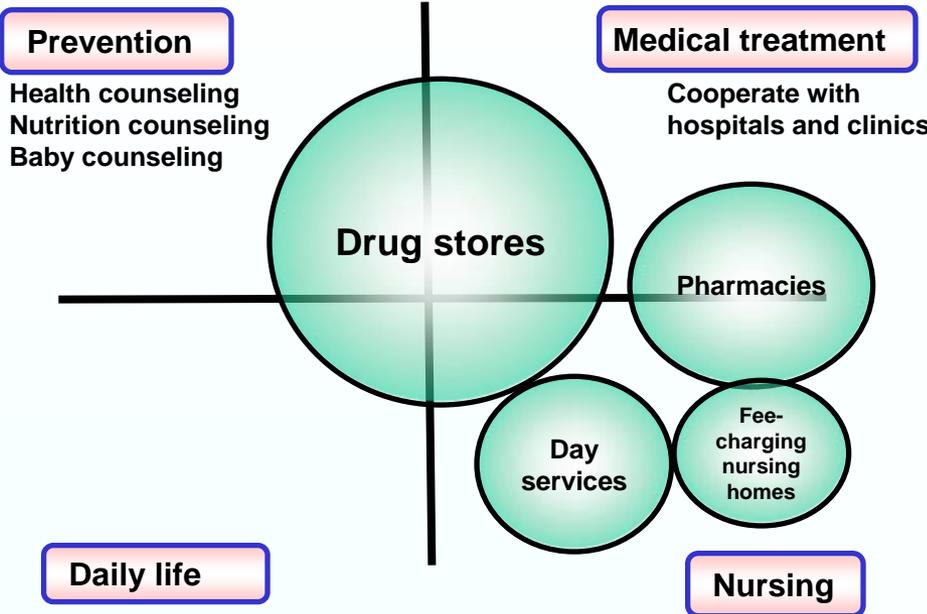


Transform them into comprehensive healthcare facility for the community, attaching to drug stores as well
 * Expand so that around 30% of all stores have attached facilities. 30 *tsubo* of space is required.

4. Create Group Medium-term Vision

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

Operations in each field



Planned number of stores in FY2014

OTC	450
Pharmacies (30 dedicated prescription pharmacies and 50 in-store pharmacies)	80
Salon Day Fee-charging nursing home	80 2

Business indicators that the company emphasizes

Recurring profit margin
target: 5% or more

Return on assets
target: 15% or more

Return on equity
Target: 15% or more

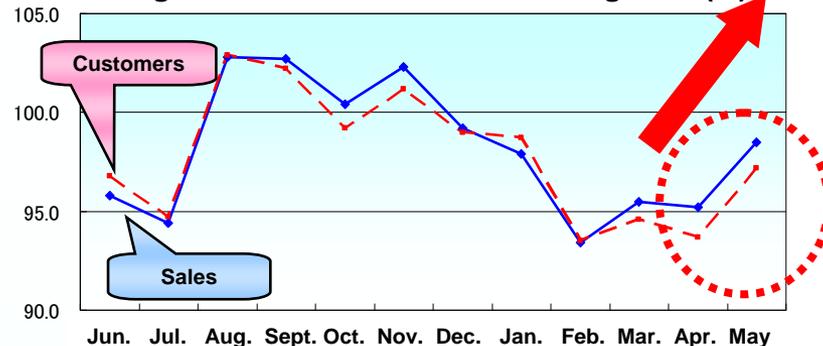
FY2011 Projection (Create SD – Drug Stores and Prescription Operations)

(Thoughts on projections)

Net sales

Recovery trend in April and May 2010
 → Major revision of sale price strategy

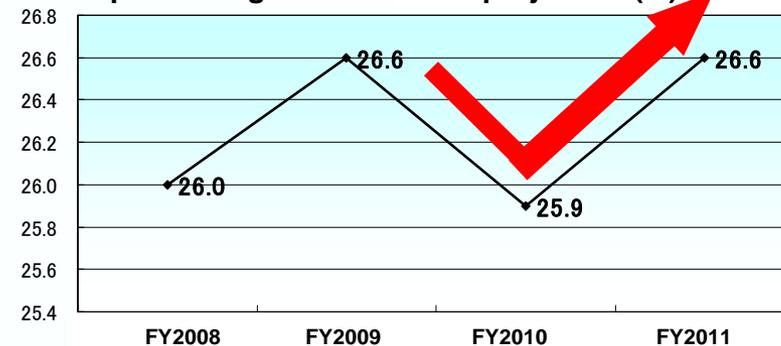
YoY Change in sales and customers during 2010 (%)



Gross profit margin

Recovery to FY2009 level
 Review sales
 Improve cost of sales (large volume purchases, etc.)

Gross profit margin - results and projection (%)

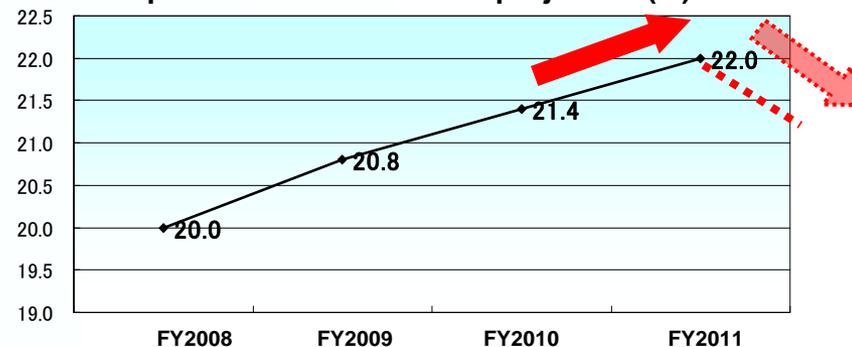


SG&A expense ratio

Projected to peak in FY2011

- In order to secure the number of registered sales staff necessary for the fall of 2011 through the spring of 2012, a total of 272 employees were recruited this spring. Of these, 100 were recruited earlier than projected costing 420 million yen in personnel expenses.
- Starting in the spring of 2012, pharmacists graduating from 6-year programs are expected to be recruited, eliminating the need for earlier recruitment.

SG&A expense ratio - results and projection (%)



FY2011 Projections

(Create SD – Drug Stores and Prescription Operations)

	FY2010 (results)		FY2011 (projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)
Net sales	148,346	100.0	156,435	100.0	105.5
Gross profit	38,472	25.9	41,675	26.6	108.3
SG&A expenses	31,722	21.4	34,453	22.0	108.6
Operating profit	6,749	4.5	7,222	4.6	107.0
Recurring profit	6,970	4.7	7,477	4.8	107.3
Net profit	3,882	2.6	4,080	2.6	105.1

FY2011 Projections

(Fee-charging Nursing Home and Preventive Nursing Business)

	FY2010 (results)		FY2011 (projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)
Net sales	734	100.0	789	100.0	107.5
Operating profit	190	25.9	108	13.7	56.8
Recurring profit	187	25.5	106	13.4	56.7
Net profit	103	14.0	28	3.5	27.2

8 day service centers are expected to open during the current fiscal year

FY2011 Projections (Consolidated)

	FY2010 (consolidated results)		FY2011 (consolidated projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Net sales	149,081	100.0	157,224	100.0	105.5
Gross profit	38,713	26.0	41,835	26.6	108.1
SG&A expenses	31,434	21.1	34,140	21.7	108.6
Operating profit	7,279	4.9	7,695	4.9	105.7
Recurring profit	7,610	5.1	8,027	5.1	105.5
Net profit	3,686	2.5	4,395	2.8	119.2

Capital expenditures	4,500 million yen (+26.3% YoY)
Depreciation expense	1,969 million yen (-4.5% YoY)