



CREATE SD HOLDINGS

FY2011 (6/10-5/11) Results Explanatory Meeting July 15, 2011

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 (045-914-8241) in the Corporate Planning Office.

FY2011 Consolidated Results

1. FY2011 Consolidated Profit and Loss Statement

	FY2010 results		FY2011 results			
	(consolidated)		(consolidated)			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of projection (%)
Net sales	149,081	100.0	154,875	100.0	103.9	98.5
Gross profit	38,713	26.0	41,627	26.9	107.5	99.5
SG&A expenses	31,434	21.1	33,184	21.4	105.6	97.2
Operating profit	7,279	4.9	8,442	5.5	116.0	109.7
Recurring profit	7,610	5.1	8,744	5.6	114.9	108.9
Net profit	3,686	2.5	4,540	2.9	123.2	103.3

2. FY2011 Consolidated Balance Sheet

(million yen)

	May 31, 2010 (consolidated)	May 31, 2011 (consolidated)	Change
Total assets	56,721	62,626	+5,905
Current assets	33,237	36,559	+3,321
Fixed assets	23,484	26,067	+2,583
Total liabilities	27,739	30,104	+2,365
Current liabilities	25,261	27,169	+1,908
Fixed liabilities	2,477	2,934	+457
Total net assets	28,982	32,521	+3,538
Total liabilities and net assets	56,721	62,626	+5,905

Main causes of change

Total assets

Cash and marketable securities
(negotiable certificates of
deposit) +2,938 million yen
Fixed assets +2,583 million yen

Total liabilities

Accounts payable +699 million
yen

Total net assets

Dividends -1,002 million
Net profit +4,540 million

Capital ratio of 51.9%

Reference: 51.1% for FY2010

3. FY2011 Consolidated Statement of Cash Flows

	(million yen)		
	FY2010 (consolidated)	FY2011 (consolidated)	Change
Cash flow from operating activities	3,987	8,578	+4,590
Cash flow from investing activities	-2,565	-4,539	-1,973
Cash flow from financing activities	-1,213	-1,101	+112
Change in cash and cash equivalents	208	2,938	+2,730
Opening balance of cash and cash equipments	12,317	12,525	+208
Closing balance of cash and cash equipments	12,525	15,463	+2,938

Breakdown

Net profit before taxes 8,018 million yen
 Depreciation expenses 1,999 million yen
 Corporate taxes paid 3,678 million yen

Cash flows related to the opening of 27 new stores
 Purchase of fixed tangible assets 3,463 million yen
 Joint loans for construction 689 million yen

Repayment of long-term loans 98 million yen
 Dividends 1,002 million yen

4. Main business indicators (industry ranking)

Recurring profit margin

	社名	実績
1	CREATE SD HOLDINGS	5.6%
2	SUNDRUG	5.5%
2	TSURUHA HOLDINGS	5.5%
4	SUGI HOLDINGS	4.9%
5	COSMOS Pharmaceutical	4.7%
6	Matsumoto Kiyoshi HD	4.1%
7	Cocokara Fine	4.0%
8	CAWACHI	3.6%
9	Growell Holdings	3.4%
10	CFS Corporation	1.9%

Return on assets

	社名	実績
1	CREATE SD HOLDINGS	14.7%
1	SUNDRUG	14.7%
3	COSMOS Pharmaceutical	14.1%
4	TSURUHA HOLDINGS	12.1%
5	SUGI HOLDINGS	11.5%
6	Cocokara Fine	10.3%
7	Growell Holdings	8.7%
8	Matsumoto Kiyoshi HD	8.2%
9	CFS Corporation	5.2%
10	CAWACHI	5.0%

Return on equity

	社名	実績
1	COSMOS Pharmaceutical	21.2%
2	CREATE SD HOLDINGS	14.8%
3	SUNDRUG	14.7%
4	Growell Holdings	12.1%
5	SUGI HOLDINGS	11.4%
6	Cocokara Fine	11.1%
7	TSURUHA HOLDINGS	10.4%
8	Matsumoto Kiyoshi HD	6.9%
9	CFS Corporation	5.9%
10	CAWACHI	4.4%

(Notes) Source: Created by CREATE SD HOLDINGS for the top 10 listed companies using material such as the *tanshin* securities report for each company.

FY8/10 figures were used for Growell Holdings ; FY2/11 figures for Sugi HOLDINGS , CFS Corporation; FY5/11 figures for COSMOS Pharmaceutical , TSURUHA HOLDINGS , CREATE SD HOLDINGS; and FY3/11 Figures for others.

Results for Each Business Company

1. FY2011 Profit and Loss Statement (Create SD)

Projections were achieved and sales and profits rose due to an improvement in the gross profit margin **(+1.0 percentage point compared to the previous year)** and success in restraining SG&A expenses as planned.

	FY2011 results				
	(million yen)	Share (%)	YoY change (%)	% of projection (%)	Difference from projection (million yen)
Net sales	154,094	100.0	103.9	98.5	-2,340
Gross profit	41,516	26.9	107.9	99.6	-159
SG&A expenses	33,422	21.7	105.4	97.0	-1,030
Operating profit	8,093	5.3	119.9	112.1	871
Recurring profit	8,311	5.4	119.2	111.2	834
Net profit	4,333	2.8	111.6	106.2	254

2. Sales

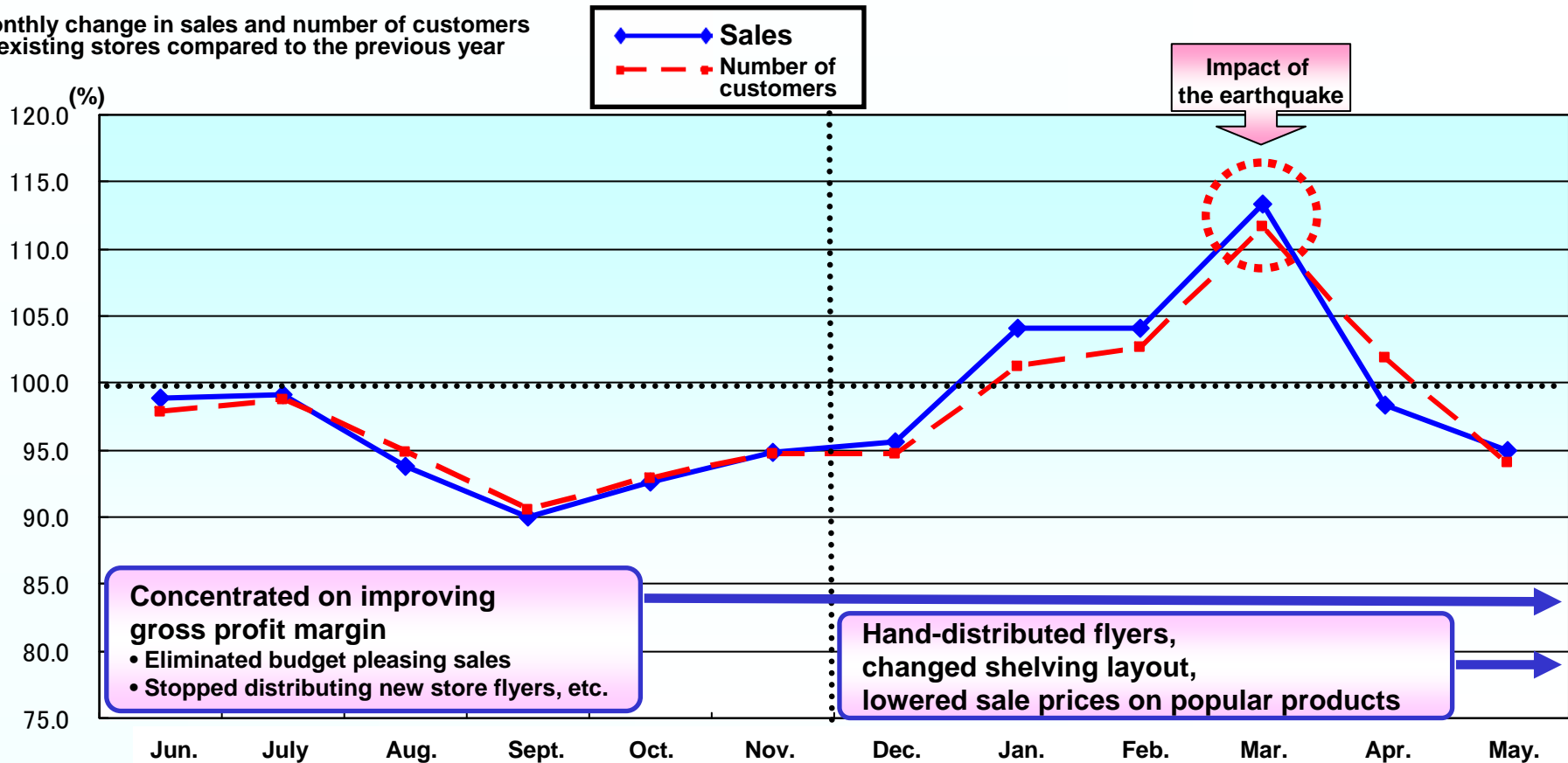
Create SD

For existing stores, sales fell 1.9%, number of customers 2.2%, and average spending per customer 0.2% compared to the previous year.



Upward trend in sales and number of customers for various reasons including hand-distributed flyers and price cuts

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



3. Gross Profit

Create SD

Gross profit margin improved **1.0 percentage point compared to the previous year to 26.9%**.

Declined for the medical and health products segment since inventory of masks was disposed of but improved for all the other segments

	FY2011 results			Gross profit margin	
	Sales (million yen)	Share (%)	YoY Change (%)	(%)	YoY Change (percentage points)
Medical and health products	35,674	23.1	104.0	38.9	-0.7
Cosmetics	26,315	17.1	102.2	30.3	+0.6
Food products	50,709	32.9	107.7	18.0	+1.9
Daily products	29,511	19.2	104.3	27.0	+1.6
Other	11,884	7.7	92.3	21.5	+2.3
Total	154,094	100.0	103.9	26.9	+1.0

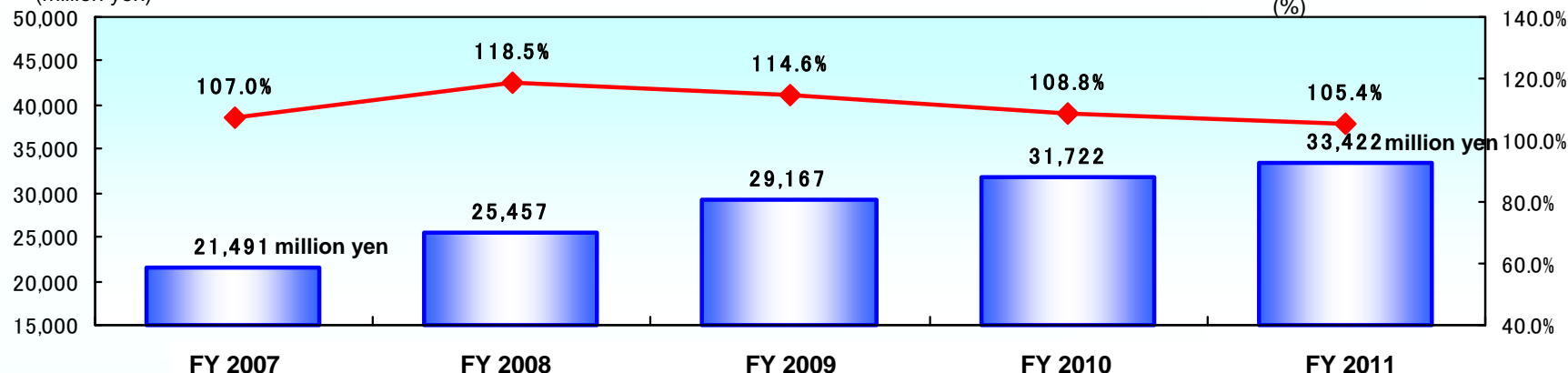
* "Other" includes items such as baby products, clothing, pet products, gardening products, and film development services.

4. SG&A Expenses

SG&A expense ratio rose to 21.7% from 21.4% but was in line with projections. SG&A expenses were 1,000 million yen (3.0%) less than forecast.

Monthly change in SG&A Expenses

Bar graph: SG&A Expenses (million yen)



◆ Efforts to reduce costs (factors behind reductions)

Personnel expenses

Review of man-hour management and operations at stores resulted in...
 Miscellaneous allowances shrinking 6.2% compared to the previous year for existing stores and 0.1% for all stores
 Man-hours falling 3.5% compared to the previous year for existing stores

Advertising expenses

Advertising expenses rose 0.7% on an all-store basis
 * Flyer costs declined 28.1% (126 million yen) compared to the previous year on an all-store basis
 • Production costs fell 15%
 • 40% decline due to the appropriate use (frequency, number, and area distributed) of flyers for new stores

Utilities expenses

The amount of electricity used fell 1.4% compared to the previous year at existing stores for various reasons including continuous efforts to reduce use even though unit prices increased and the summer was particularly hot.
 Electricity expense rose 4.0% at existing stores.

5. New Store Openings

31 new stores were opened (of which 4 were dedicated prescription pharmacies)

Store openings by area

Figures in parenthesis are dedicated prescription pharmacies

	Kanagawa	Tokyo	Shizuoka	Saitama	Chiba	Gunma	Ibaraki	Total
New store opened during FY2011	18 (2)	4 (1)	6	2	1 (1)	0	0	31 (4)

Number of new stores by OTC type (27 stores)
Suburban stand alone:23 Shop-in-shop:2 NSC:2

5 stores were closed (1 store each in Kanagawa, Tokyo, Saitama, Gunma, and Ibaraki)

	Kanagawa	Tokyo	Shizuoka	Saitama	Chiba	Gunma	Ibaraki	Total
Total number of stores (end of FY2011)	200 (12)	50 (4)	55	14	15 (1)	5	7	346 (17)



* Of the 329 OTC stores, 32 have an attached pharmacy.

6. Prescription Operations

Create SD

8 new stores were opened
 (4 dedicated prescription pharmacies and 4 in-store pharmacies)



A total of 49 stores at the end of the fiscal year
 (17 dedicated prescription pharmacies and 32 in-store pharmacies)

	FY2011 results		
	(million yen)	Share (%)	YoY change (%)
Net sales	5,593	100.0	120.1
Gross profit	2,278	40.7	125.5

Existing stores:
Sales +13.1%
Prescriptions +8.0%

Gross profit margin rose 1.7 percentage points compared to the previous year to 40.7% from 39.0% on account of an improvement in cost of sales and greater technical fees.

(Home service operations)	FY2011 results		
	(million yen)	Share (%)	YoY change (%)
Net sales	318	100.0	154.0

Medication guidance by visit
Collaboration with 18 nursing facilities
(demand from 5 new facilities)

7. Fee-charging Nursing Home and Preventive Nursing Business

	FY2011 results		
	(million yen)	Share (%)	% of projection (%)
Net sales	780	100.0	106.3
Operating profit	63	8.1	33.2
Recurring profit	66	8.6	35.6
Net profit	-7	-0.9	—

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

Fee-charging nursing home (Welllife)

Renovated the Hachioji preventive nursing facility

Preventive nursing business (SALON DAY)

Opened 8 day service centers creating a network of 10 centers

Number of day service centers at the end of the fiscal year

Stand-alone centers: 7
In-store centers: 3

Growth Strategy

1. Growth Strategy – Drug Store Operations

Accelerate the opening of new stores with the goal of creating a network of 450 stores during FY2014
 Strive to open 40 new stores during current fiscal year

Increase new store development capability

Open stores in new areas and locations in order to maintain growth while maintaining the focus on Kanagawa, Tokyo, and Shizuoka

- ◆ Develop stores with focus on Kanagawa, Tokyo, and Shizuoka
- ◆ Open stores in front of stations and in shopping areas including office areas in central Tokyo
- ◆ Open stores in Aichi, a new area
- ◆ Increase the number of staff necessary for expansion

Develop both large-scale stores with more than 300 *tsubo* (1 *tsubo* ≈ 3.3 m²) of space and small stores with 100 *tsubo* in addition to the traditional 250-*tsubo* suburban stores

Store numbers
(end of FY2011)

Kanagawa	188
Tokyo	46
Shizuoka	55
Other	40
Total	329

40 stores during
current fiscal year

Store numbers
(end of FY2012)

Kanagawa	206
Tokyo	57
Shizuoka	61
Other	43
Total	367

Store numbers
(end of FY2014)

Kanagawa	250
Tokyo	70
Shizuoka	70
Other	60
Total	450

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 at least **10 new pharmacies** annually including those attached to drugstores

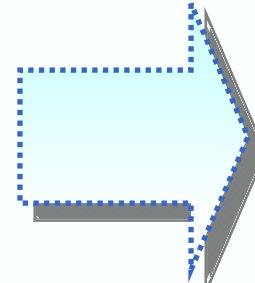
End of FY2011

In-store pharmacies	32
Dedicated prescription pharmacies	17
Total	49



End of FY2012

In-store pharmacies	36
Dedicated prescription pharmacies	23
Total	59



End of FY2014

In-store pharmacies	50
Dedicated prescription pharmacies	30
Total	80



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

18 facilities
by the end of
FY2011



23 facilities
by the end of
FY2012



30 facilities
by the end of
FY2014



3. Growth Strategy – Nursing Operations

Expand rehabilitative training day services
→ **Open 20 new facilities** this year

Rehabilitation day services

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

* With transportation from home to the facility

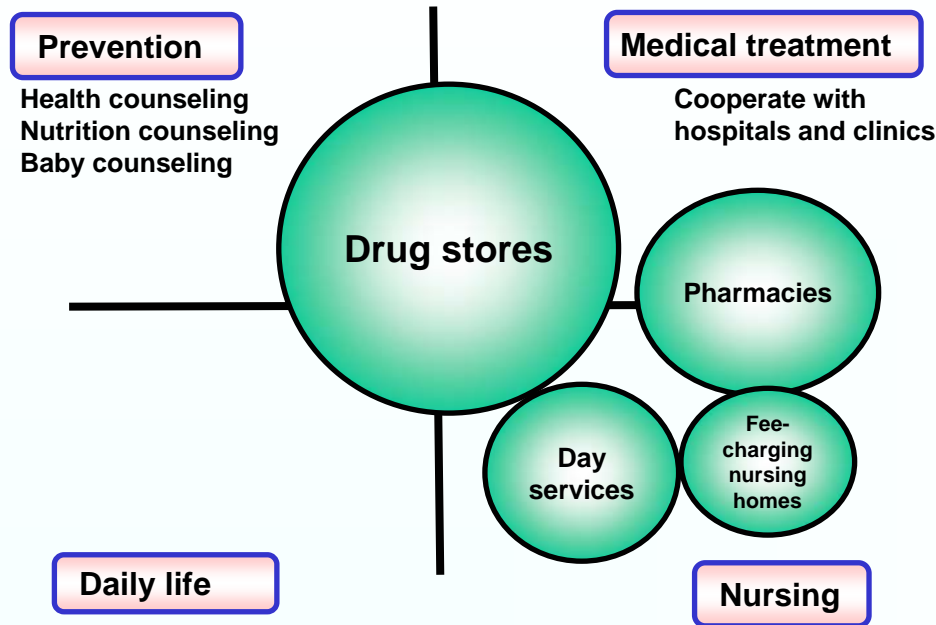


Transform them into comprehensive healthcare facility for the community, attaching to drug stores as well

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	80
Fee-charging nursing home	2

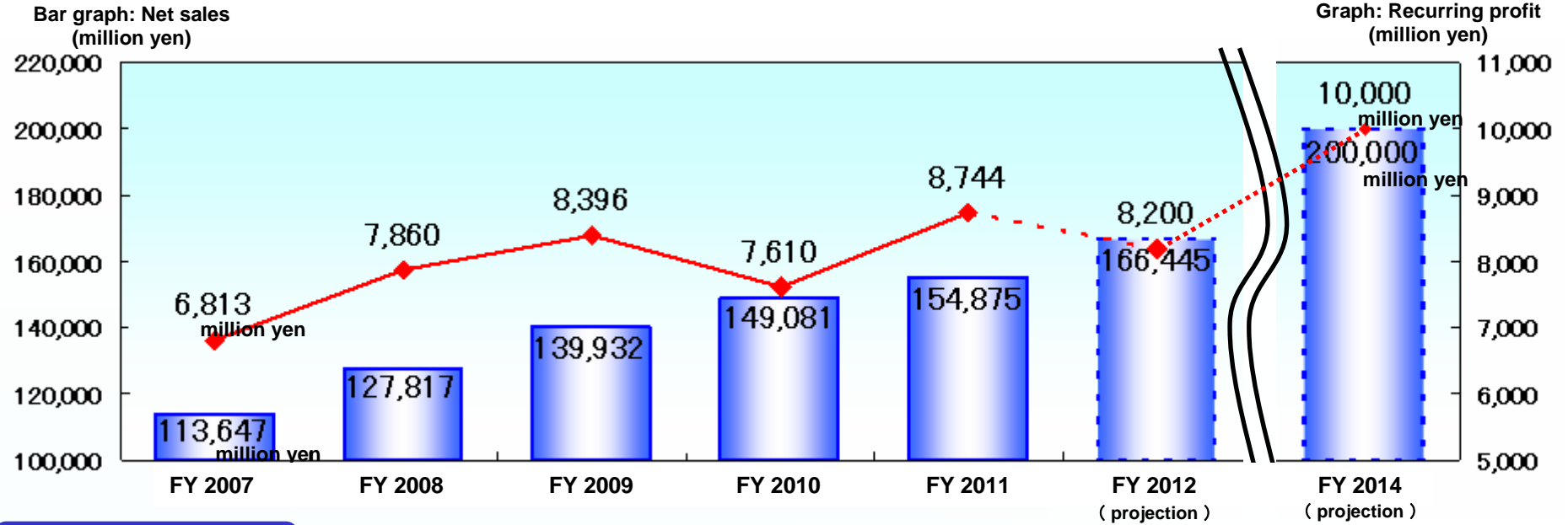
Business indicators that the company emphasizes

Recurring profit margin
target: 5% or more

Return on assets
target: 15% or more

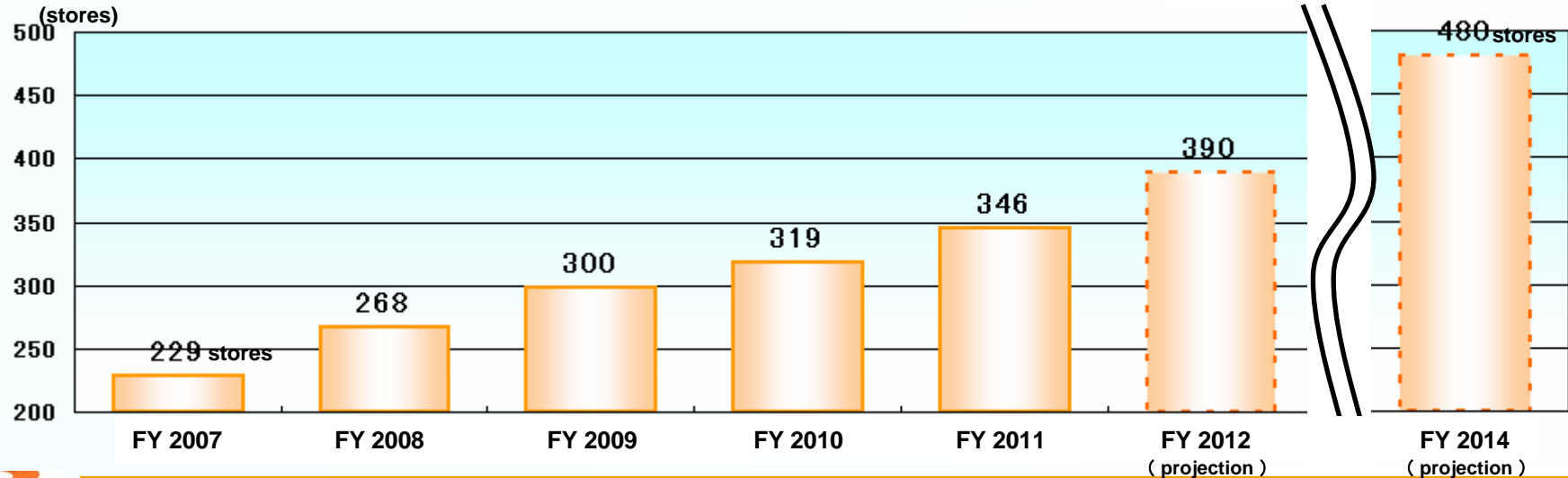
Return on equity
Target: 15% or more

Net sales and recurring profit



Number of stores

Total for OTC stores and dedicated prescription drug stores



FY2012 Projections (Consolidated)

	FY2011 (consolidated results)		FY2012 (consolidated projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Net sales	154,875	100.0	166,445	100.0	107.5
Gross profit	41,627	26.9	43,864	26.4	105.4
SG&A expenses	33,184	21.4	35,946	21.6	108.3
Operating profit	8,442	5.5	7,918	4.8	93.8
Recurring profit	8,744	5.6	8,200	4.9	93.8
Net profit	4,540	2.9	4,491	2.7	98.9

Capital expenditures	6,200 million yen (+17.9% YoY)
Depreciation expense	2,419 million yen (+12.6% YoY)

FY2012 Projections

(Create SD – Drug Stores and Prescription Operations)

	FY2011 (results)		FY2012 (projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)
Net sales	154,094	100.0	165,222	100.0	107.2
Gross profit	41,516	26.9	43,841	26.5	105.6
SG&A expenses	33,422	21.7	36,275	22.0	108.5
Operating profit	8,093	5.3	7,566	4.6	93.5
Recurring profit	8,311	5.4	7,775	4.7	93.5
Net profit	4,333	2.8	4,325	2.6	99.8

FY2012 Projections

(Fee-charging Nursing Home and Preventive Nursing Business)

	FY2011 (results)		FY2012 (projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)
Net sales	780	100.0	1,222	100.0	156.6
Operating profit	63	8.1	-36	—	—
Recurring profit	66	8.6	-42	—	—
Net profit	-7	-0.9	-134	—	—

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