



FY2013 (6/12-5/13) Results Explanatory Meeting
July 19, 2013

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

FY2013

Consolidated Results

(06/2012 – 05/2013)

1. FY2013 Consolidated Profit and Loss Statement

Return on assets [ROA] 14.5%
Return on equity [ROE] 15.6%

	FY2012 (consolidated)		FY2013 (consolidated)			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of initial projection (%)
Net sales	169,790	100.0	181,966	100.0	107.2	99.2
Gross profit	45,123	26.6	48,510	26.7	107.5	99.5
SG&A expenses	35,999	21.2	38,467	21.1	106.9	98.6
Operating profit	9,124	5.4	10,043	5.5	110.1	103.3
Recurring profit	9,441	5.6	10,329	5.7	109.4	103.2
Net profit	4,824	2.8	5,965	3.3	123.7	107.1

* Accounting period
 CREATE SD HOLDINGS CO., LTD. June 1-May 31, 2013
 CREATE SD CO., LTD. June 1-May 31, 2013
 Welllife Co., Ltd. June 1-May 31, 2013
 SALON DAY CO.,LTD June 1-May 31, 2013

2. FY2013 Consolidated Balance Sheet

(million yen)

	May 31, 2012 (consolidated)	May 31, 2013 (consolidated)	Change
Total assets	68,030	74,795	+6,764
Current assets	39,770	45,020	+5,249
Fixed assets	28,260	29,775	+1,515
Total liabilities	32,129	34,041	+1,911
Current liabilities	30,079	31,866	+1,786
Fixed liabilities	2,050	2,174	+124
Total net assets	35,900	40,754	+4,853
Total liabilities and net assets	68,030	74,795	+6,764

Main causes of changes

Total assets

- Merchandise +1,208 million yen
- Opening of 29 new stores, etc.
- Fixed assets +1,515 million yen

Total liabilities

- Accounts payable +1,492 million yen
- Allowance for points 858 million yen

Total net assets

- Decline due to 1,113 million yen in dividends
- Net profit +5,965 million yen

* Accounting period

CREATE SD HOLDINGS CO., LTD.	June 1-May 31, 2013
CREATE SD CO., LTD.	June 1-May 31, 2013
Welllife Co., Ltd.	June 1-May 31, 2013
SALON DAY CO.,LTD	June 1-May 31, 2013

3. FY2013 Consolidated Statement of Cash Flows

(million yen)

Major breakdown

	FY2012 (consolidated)	FY2013 (consolidated)	Change
Cash flow from operating activities	6,997	8,001	+1,003
Cash flow from investing activities	-4,297	-3,698	+599
Cash flow from financing activities	-1,527	-1,153	+373
Change in cash and cash equivalents	1,172	3,149	+1,977
Opening balance of cash and cash equipments	15,463	16,635	+1,172
Closing balance of cash and cash equipments	16,635	19,785	+3,149

- Net profit before taxes 10,067 million yen
- Depreciation 2,141 million yen
- Corporate taxes paid 5,266 million yen

- Cash flows related to opening new stores:
- Purchase of fixed tangible assets 2,629 million yen
 - Joint loans for construction 732 million yen

- Dividends 1,113 million yen

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Results for Each Business Company

1. FY2013 Profit and Loss Statement (Create SD)

	FY2012		FY2013			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of projection (%)
Net sales	168,711	100.0	180,709	100.0	107.1	99.2
Gross profit	45,155	26.8	48,426	26.8	107.2	99.4
SG&A expenses	36,301	21.5	38,829	21.5	107.0	98.6
Operating profit	8,853	5.2	9,597	5.3	108.4	102.7
Recurring profit	9,076	5.4	9,791	5.4	107.9	102.5
Net profit	4,765	2.8	5,717	3.2	120.0	106.6

2. Sales

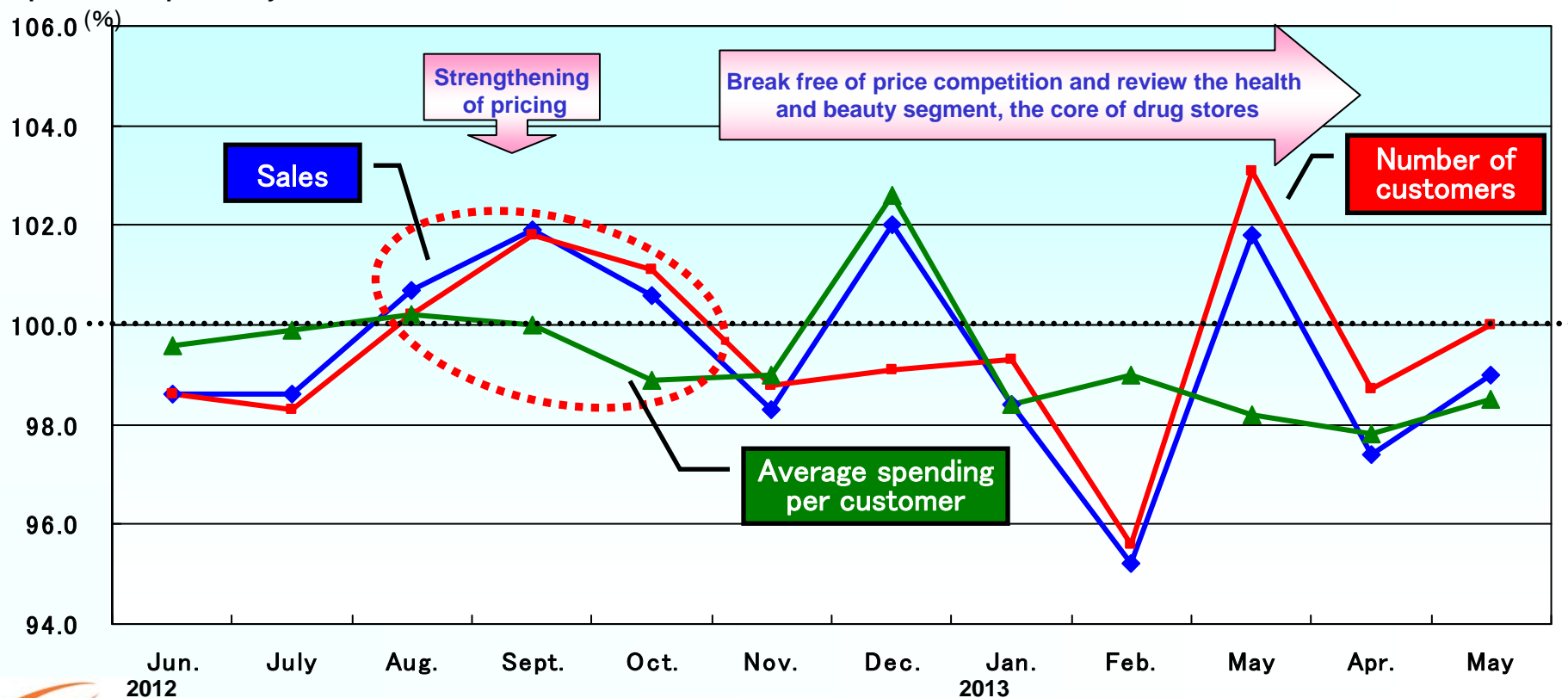
Create SD

Improve prices in order to ensure a year-on-year increase in the number of customers

Intensified price war with competitors

Generate profit by revising the health and beauty segment, the core of drug stores

Monthly change in sales, number of customers, and average spending per customer in existing stores compared to the previous year



3. Sales by Segment

Expand the medical and health products segment by moving forward with the construction of in-store pharmacies

	FY2012			FY2013		
	Sales (million yen)	Share (%)	YoY change (%)	Sales (million yen)	Share (%)	YoY change (%)
Medical and health products	37,703	22.3	105.7	41,184	22.8	109.2
(O T C)	30,838	18.3	102.5	32,958	18.2	106.9
(Prescription)	6,865	4.0	122.7	8,226	4.6	119.8
Cosmetics	27,934	16.6	106.2	29,335	16.2	105.0
Food products	59,791	35.4	117.9	65,463	36.2	109.5
Daily products	31,402	18.6	106.4	33,092	18.3	105.4
Other	11,878	7.1	99.9	11,633	6.5	97.9
Total	168,711	100.0	109.5	180,709	100.0	107.1

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

4. SG&A Expenses

Create SD

Continue working to reduce costs and restrain the increase in SG&A expenses to less than the growth in net sales

◆ Efforts to reduce costs

Personnel expenses

0.4% higher than forecast (Rose 9.0% year on year)

- More effective man-hour control by implementing stricter shift management
Man-hours falling 1.6% compared to the previous year for existing stores
- End mid-career hires by lowering the turnover rate for pharmacist
Reduced recruiting costs to 82.5% from the previous year

Advertising expenses

15.5% lower than forecast (Fell 8.9% year on year)

- Changed the reward card system at all stores
- Changed the number of hand-distributed flyers
- Reviewed the areas and numbers of flyer distribution for new stores
- Improved the specification of sales promotion materials

Other

- Reduced the costs of facilities, equipment and fixtures for new stores
- Reduced communication costs
- Reviewed system maintenance costs

5. New Store Openings

Create SD

29 new stores 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 FY2013	OTC	18	4	2	2	2	0	28
	in-store pharmacies	14	4	3	0	2	2	25
	dedicated prescription drug stores	0	1	0	0	0	0	1

Number of new stores by OTC type (28 stores)

Suburban stand alone:22 Shop-in-shop:2 NSC :1 In front of train stations:1 Urban area :2



3 stores were closed (1 in Kanagawa, 2 in Shizuoka)

		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
Total number of stores as of the end of FY2013	OTC	218	56	60	18	2	25	379
	in-store pharmacies	38	10	11	0	2	3	64
	dedicated prescription drug stores	13	6	0	3	0	1	23

6. Prescription Operations

Create SD

26 new stores opened
(25 in-store pharmacies and
1 dedicated prescription drug store)



87 stores at the end of FY2013
(64 in-store pharmacies and 23 dedicated
prescription drug stores)

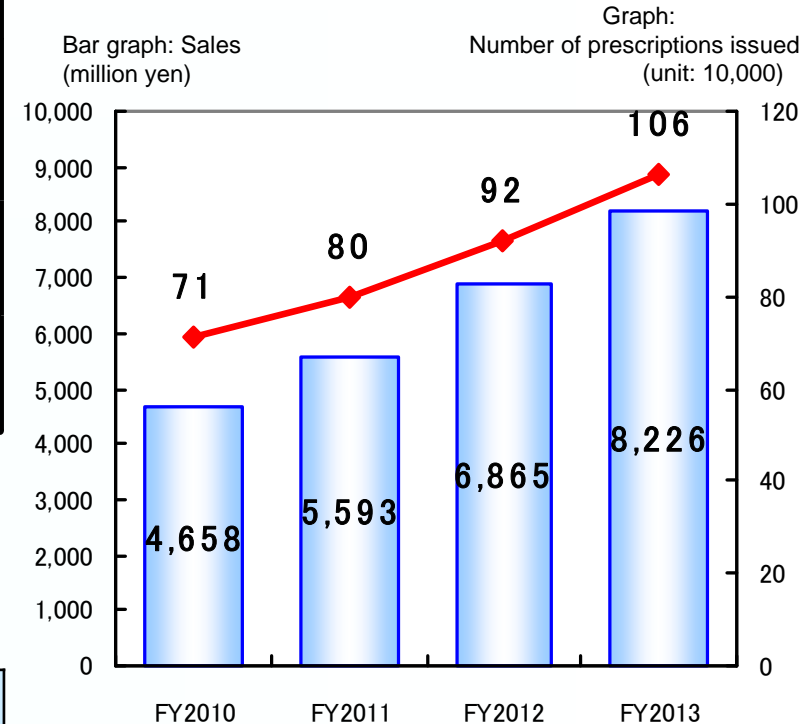
	FY2013		
	(million yen)	Share (%)	YoY change (%)
Net sales	8,226	100.0	119.8
Gross profit	3,149	38.3	114.4

* Gross profit does not include the portion related to items for which drug price related negotiations have not been concluded

Existing stores comparisons
Sales 11.4% Prescriptions 7.6%

	FY2013		
(Home service operations)	(million yen)	Share (%)	YoY change (%)
Net sales	544	100.0	128.5

Sales in prescription operations and the number of prescriptions issued



Medication guidance by visit
Collaboration with 45 nursing
facilities
(demand from 16 new facilities)

7. Assisted-living fee-charging nursing home and Preventive Nursing Business

Welllife
SALON DAY

	FY2013		
	(million yen)	Share (%)	YoY change (million yen)
Net sales	1,256	100.0	+178
Operating profit	42	3.4	+122
Recurring profit	46	3.7	+122
Net profit	-23	—	+123

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

Preventive nursing business (SALON DAY)

Opened 6 day service centers
creating a network of 30 centers

Long-term care support center 1 center

Number of day service centers
at the end of FY2013

Stand-alone centers: 22
In-store centers: 8



8. Social contribution & regional contribution

Social contribution

1. The 8th “Let’s walking” event in the Minatomirai

- Walking 8km in the Minatomirai area in Yokohama
- Holding health advice services in the goal meeting place



2. The “Let’s walking” event in Lake Sanaru in Hamamatsu

- Hosting the event in areas other than Kanagawa prefecture
- Cooperation with administration



Regional contribution

1. Be-a-pharmacist event for children

- Held events for children to try being a pharmacist before pharmacies opened and on holidays

2. Class on how to brush one’s teeth

- Held a class on how to brush one’s teeth at elementary schools

3. Health fair

- Held a health fair, which was centered on lectures by medical specialist

Growth Strategy

1. Growth Strategy – Create SD

1. Opening new stores

■ 40 new drug stores

- Develop stores with focus on Kanagawa, Tokyo, and Shizuoka
- Open urban stores in various types of areas including business areas, shopping districts, in front of stations, and urban areas where shopping is inconvenient

■ 25 in-store pharmacies

- Move forward with opening new pharmacies with the goal of 25% of stores having an in-store pharmacy and make use of dominant position

■ 7 dedicated prescription drug stores

2. Improving profitability of existing stores

■ 99.8% or more increase in sales year on year

- Increasing the number of stores that offer a home delivery service for customers
- Renovate 50 stores

■ Improve gross profit

- Improving product line-up
- Develop new PB products and review existing PB products

1. Growth Strategy – Create SD

3. Develop the medical and nursing fields with a view toward a gray society

■ Open 30 new facilities that undertake home delivery of medication

- Implement efficient development based on the area strategy
⇒ Develop the area within 5 km of core pharmacies
make it possible for each pharmacy to handle 40 patients

■ Promote development through ties with OTC

- Deliver products to users at nursing homes and facilities
- Hold health seminars for the staff and users of facilities

4. Responding to IT society

■ Promote omni-channel

Eliminate the barrier between Internet and the real world

- Use the Internet and video calls to increase convenience for customers who visit stores
- Hold consulting seminars and events at stores that do not rely on point sales promotion

2. Growth Strategy – Nursing Operations

Assisted-living fee-charging nursing home

1. Measures to increase occupancy rates

- Offering a more flexible price system including the “zero entry fee” plan (responding to legal changes)
- Provide added value
⇒ Supply entertainment, hold health seminars, and deliver products
- Strengthening marketing promotion and advertising

Preventive nursing business

1. Opening of new centers

- Opening of 10 centers→40 centers

2. Improving profitability of existing centers

- Achieving higher operating rates by enhancing sales capability
- Converting highly operational centers into “centers with a capacity of 15 people”
- Enhancing the functional training menu



3. Collaboration of four operations

Drug stores × Pharmacies

- Raise the overall level of the Healthcare Division
- Shop while prescription is being filled
- Provide total support by highly specialized pharmacists

Drug store operations

Drug stores × Day services

- Shop at stores as a part of skill training

Pharmacies × Day services

- Accept prescriptions
- Hand over the medication at the end of the day

Prescription operations

Preventive nursing business

Drug stores ×

Fee-charging nursing homes

- Deliver daily products and products for facilities
- Hold consulting meetings and nutrition education seminars

Pharmacies ×

Fee-charging nursing homes

- Provide medication guidance to facility users during their visit
- Hold medication seminars for the staff of facilities

Day services ×

Fee-charging nursing homes

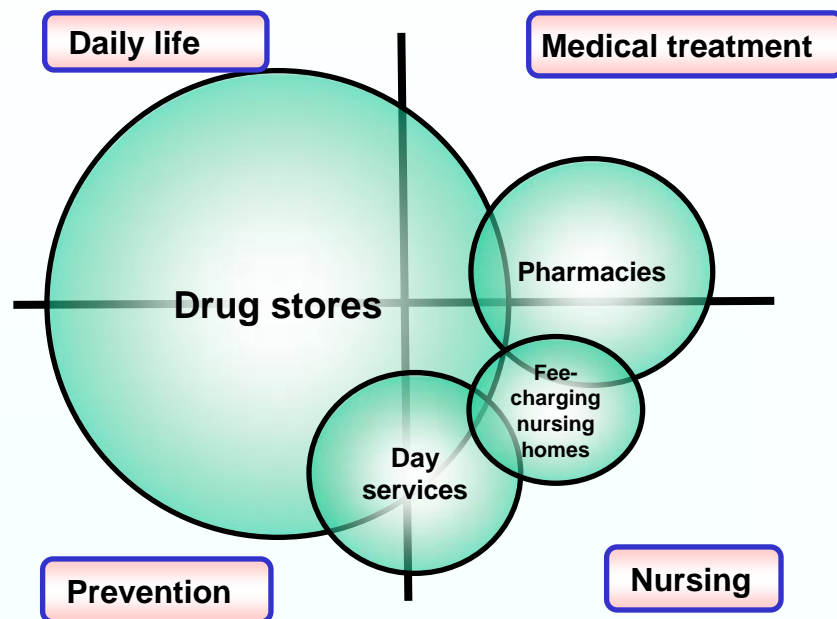
- Improve QOL

Assisted-living fee-charging nursing home

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 FY2016

OTC

498

Dedicated prescription
pharmacies
In-store pharmacies

47
139

Salon Day

60

Fee-charging nursing home

2

Business indicators that the company emphasizes

Recurring profit margin

Target: 5% or more

Return on assets

Target: 15%

Return on equity

Target: 15%

5. FY2014 Forecasts (Consolidated)

	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