



CREATE SD HOLDINGS

*FY2015 (6/14-5/15) Interim Results Explanatory Meeting
January 23, 2015*

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

FY2015 (6/14–5/15) Interim Results Explanatory Meeting

■ 1H FY2015 Consolidated Results

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■ FY2015 Forecasts (Consolidated)

1H FY2015 Consolidated Results (06/2014 – 11/2014)

1. 1H FY2015 Consolidated Profit and Loss Statement

	1H FY2014 (consolidated)		1H FY2015 (consolidated)			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of projection (%)
Net sales	95,913	100.0	104,559	100.0	109.0	98.3
Gross profit	25,022	26.1	27,335	26.1	109.2	96.7
SG&A expenses	20,631	21.5	23,085	22.1	111.9	98.5
Operating profit	4,391	4.6	4,250	4.1	96.8	87.8
Recurring profit	4,677	4.9	4,457	4.3	95.3	89.7
Net profit	2,821	2.9	2,750	2.6	97.5	94.5

2. 1H FY2015 Consolidated Balance Sheet

	(million yen)		
	May 31, 2014 (consolidated)	November 30, 2014 (consolidated)	Change
Total assets	81,140	81,010	-129
Current assets	46,889	45,056	-1,832
Fixed assets	34,250	35,954	+1,703
Total liabilities	36,015	38,182	+2,167
Current liabilities	33,850	36,050	+2,199
Fixed liabilities	2,164	2,132	-32
Total net assets	45,125	42,828	-2,297
Total liabilities and net assets	81,140	81,010	-129

Main causes of changes

Total assets

- Decrease in cash and cash equivalents due share buybacks -3,101 million yen
- Merchandise +609 million yen
- Opening new stores, etc. Fixed assets +1,703 million yen

Total liabilities

- Accounts payable +1,551 million yen

Total net assets

- Share buyback -4,392 million yen
- Dividend payment -668 million yen
- Net profit 2,750 million yen

3. 1H FY2015 Consolidated Statement of Cash Flows

(million yen)

	November 30, 2013 (consolidated)	November 30, 2014 (consolidated)	Change
Cash flow from operating activities	2,860	5,148	+2,287
Cash flow from investing activities	-4,321	-2,979	+1,341
Cash flow from financing activities	-774	-5,269	-4,495
Change in cash and cash equivalents	-2,234	-3,101	-866
Opening balance of cash and cash equipments	19,785	19,335	-449
Closing balance of cash and cash equipments	17,550	16,234	-1,316

Major breakdown

◆ Cash flow from operating activities

- Increase in depreciation 287 million yen
- Decrease of increase width of inventories 550 million yen
- Increase in trade payables 621 million yen
- Payment reduction of corporate tax 737 million yen

◆ Cash flow from investing activities

- Loss the previous year content of the spending
- Negotiable certificates of deposit, etc. 1,555 million yen
 - Reduction of expenditure by tangible fixed assets 308 million yen
 - Increase in construction in progress -263 million yen

◆ Cash flow from financing activities

- Dividend payment -668 million yen
- share buyback -4,392 million yen

Results for Each Business Company

1.1H FY2015 Profit and Loss Statement

Create SD

	1H FY2014		1H FY2015			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of projection (%)
Net sales	95,215	100.0	103,788	100.0	109.0	98.3
Gross profit	24,980	26.2	27,333	26.3	109.4	96.8
SG&A expenses	20,839	21.9	23,331	22.5	112.0	98.5
Operating profit	4,140	4.3	4,002	3.9	96.7	87.7
Recurring profit	4,383	4.6	4,173	4.0	95.2	89.0
Net profit	2,637	2.8	2,586	2.5	98.1	93.9

2. Sales by Segment

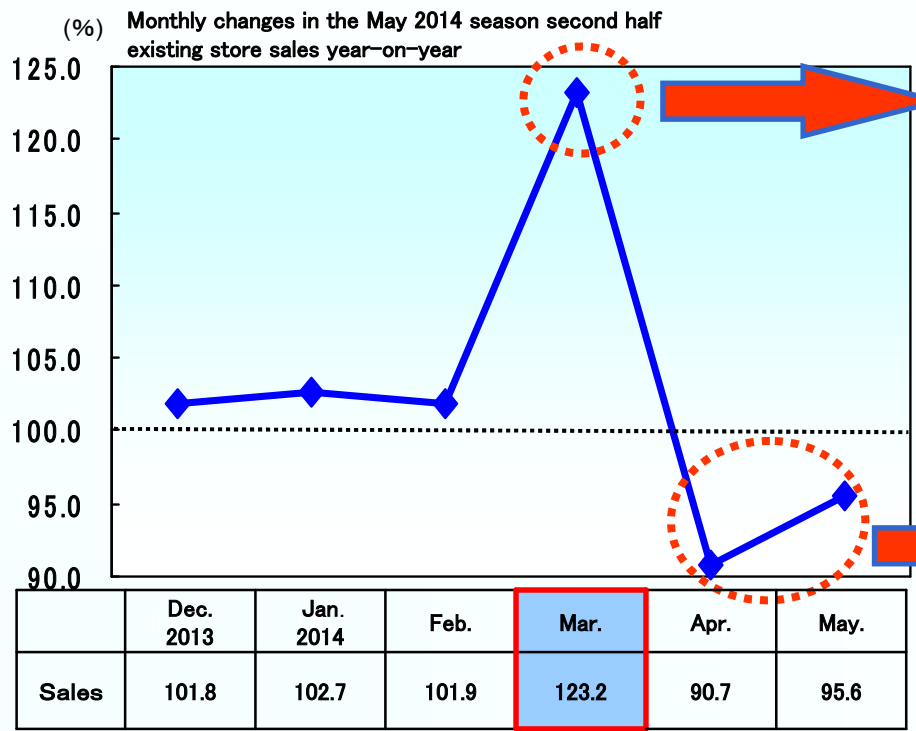
	1H FY2014			1H FY2015		
	Sales (million yen)	Share (%)	YoY change (%)	Sales (million yen)	Share (%)	YoY change (%)
Medical and health products	21,228	22.3	107.9	23,250	22.4	109.5
(O T C)	16,485	17.3	103.4	17,037	16.4	103.3
(Prescription)	4,743	5.0	126.9	6,213	6.0	131.0
Cosmetics	15,398	16.2	103.5	15,845	15.3	102.9
Food products	34,861	36.6	106.9	39,698	38.2	113.9
Daily products	17,851	18.7	105.8	18,799	18.1	105.3
Other	5,875	6.2	100.8	6,194	6.0	105.4
Total	95,215	100.0	106.0	103,788	100.0	109.0

3. Sales

Create SD

The demand rush before and recoil after the consumption tax increase

Increase in the consumption tax rate to 8% in April 2014
→ March 2014 tax increase before the last-minute demand



- Sales increase of 123.2% from the previous year due to the demand rush before the tax hike
- Stockpiling of cosmetics and other high-priced items and products of long-term use
 - Over-the-counter drugs
 - Cosmetics
 - Daily necessities etc.

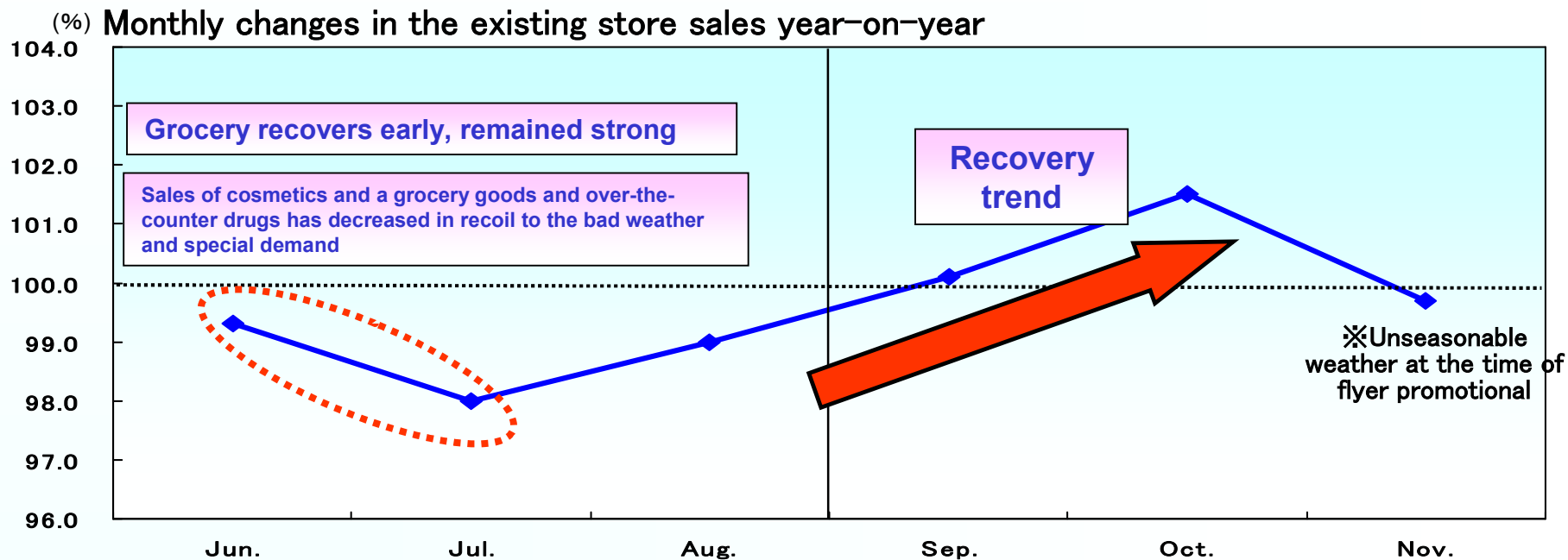
Reactionary decline in last-minute demand

3. Sales

Create SD

Planning ratio 98.3% , Year-on-year 109.0%
 Sales at existing stores: 99.6% year on year (First quarter: 98.8%; Second quarter: 100.4%)

First quarter :Recoil remains in cosmetics and over-the-counter drugs
 Second quarter :Pharmacies and grocery is towing, recovery trend



	Jun. 2014	Jul.	Aug.	1Q	Sep.	Oct.	Nov.	2Q	1H FY2015
Sales	99.3	98.0	99.0	98.8	100.1	101.5	99.7	100.4	99.6

3. Sales

Create SD

Promotion of renovation of existing stores → Renovation of 39 stores (annual plan: 75 stores)

The dispensing pharmacy in existing stores
Department revamped to match the sales mix ⇒ implemented at 12 stores

Expansion of the number of stores handling fresh meat ⇒ implemented at 27 stores

Improvement of assortment

Expanded introduction of meat

FY2014
149 stores



1H FY2015
204 stores

Expanded introduction of wine

Improved total gross profit of the entire category by sales increase in the number of wine

Expansion of The dispensing pharmacy

FY2014
113 stores



1H FY2015
130 stores

4. Gross profit

Comparing the same period last year gross profit margin

	1Q	2Q	1H
FY2014	26.7	25.7	26.2
FY2015	26.2	26.5	26.3
The previous fiscal year defference	-0.5	+0.8	+0.1

Planning ratio 96.8%, Year-on-year 109.4%

First quarter
Down 0.5 points from the last year

Unfavorable sales of over-the-counter drugs, cosmetics, and other seasonal items with high profit rates due to the recoil from the demand rush and influence of the cool summer

Second quarter
Up 0.8 points from the last year

In-depth study of actual sales at new stores and the situation as regards competition, and corresponding revision of the stores involved in fold-in flyer campaigns and of price-appeal products

While continuing the EDLP and single item price appeal, to strengthen the development of profit goods by concentrating sale

Expansion of
The dispensing pharmacy

Contribution to the ratio of gross profit to sales due to the rise in the share of all sales occupied by the prescription operations

5. SG&A Expenses

Planning ratio 98.5%, year-on-year 112.0%

First quarter : Planning ratio 99.8%, year-on-year 115.1%

Second quarter : Planning ratio 97.3%, year-on-year 109.0%

Factor of planning ratio 98.5% plan advantageous difference -355 million yen

Advertising expenses

Planning ratio 80.0% year-on-year 99.7% plan difference

-381 million yen

Reduction through revision of sales promotion using flyers and reward cards

Year-on-year 112.0%, factor in the same period last year difference +2,491 million yen

LED of the store lighting

Repair costs, year-on-year 187.0% the previous year difference

+208 million yen

New stores increase

Labor costs, year-on-year 110.2 %

The previous fiscal year difference +1,044 million yen

Depreciation, year-on-year 127.9 %

The previous fiscal year difference +278 million yen

Rents, year-on-year 112.0%,

the previous year difference +502 million yen

5. SG&A Expenses

Create SD

Cost of utilities

Planning ratio 105.2%, year-on-year 107.6%
First quarter : Planning ratio 113.8%, year-on-year 114.7%
Second quarter : Planning ratio 97.4%, year-on-year 101.1%
▪ Contribution by the cost-reducing effects of the switch to LED bulbs at the start of the year in the second quarter, in spite of the rise in the adjusted unit fuel cost

Other

▪ Suppression of construction investment
▪ Reduce expenses by charging for delivery service
The number of delivery service introduction stores ^{1H FY2015} **203 stores**
Charge for the number of stores **122 stores**

6. New Store Openings

Create SD

19 new OTC stores and 17 ethical pharmacies were opened
 (of which 2 was dedicated prescription drug store)

New store openings by area

		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
New stores opened in 1H FY2015	OTC	7	3	3	3	2	1	19
	in-store pharmacies	10	3	0	0	1	1	15
	dedicated prescription drug stores	0	1	0	0	1	0	2

Number of new stores by OTC type (19 stores)

Suburban stand alone:16 Urban store:2 In-shop :1

4 stores were closed
 (2 in Kanagawa, 1 in Tokyo, 1 in Shizuoka)

		Kanagawa	Tokyo	Shizuoka	Chiba	Aichi	Other	Total
Total number of stores as of the end of 1H FY2015	OTC	241	74	63	23	6	27	434
	in-store pharmacies	61	19	12	1	5	5	103
	dedicated prescription drug stores	14	8	0	3	1	1	27

Rate of pharmacy establishment in OTC stores

23.7 %

7. Prescription Operations

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	1H FY2015		
	(million yen)	Share (%)	YoY change (%)
Net sales	6,213	100.0	131.0
Gross profit	2,556	41.1	134.5

(Home service operations)	1H FY2015		
	(million yen)	Share (%)	YoY change (%)
Net sales	456	100.0	130.5

Medication guidance by visit
 Collaboration with **65** nursing facilities
 (demand from **6** new facilities)

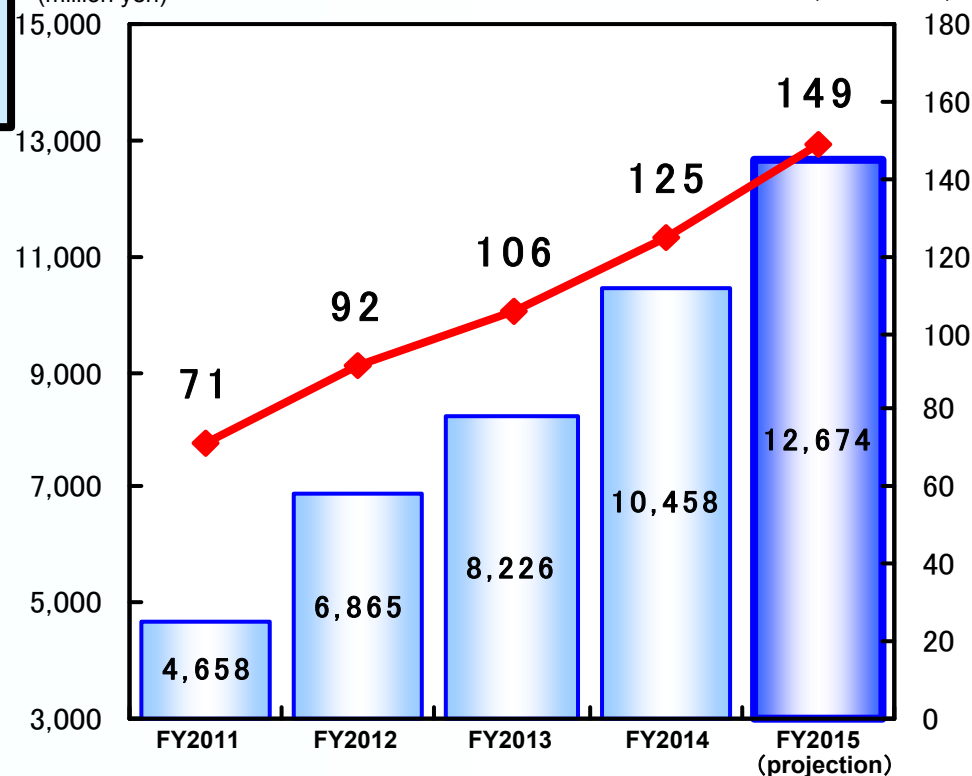
Existing stores comparisons

Sales year-on-year 117.0%
Prescription year-on-year 111.5%

Sales in prescription operations and the number of prescriptions issued

Bar graph: Sales (million yen)

Graph: Number of prescriptions issued (unit: 10,000)



8. The second half of the efforts

Create SD

Marketing strategies

Intensive sales of seasonal products and profit products

Promotion of store visits with increased frequency due to sales promotion using reward cards

Early deployment of pollen-related merchandise

Improvement of assortment with renovated, dispensing pharmacy in existing stores

Convenience strengthening of store by utilizing the EC site

8. The second half of the efforts

Create SD

Reduction of expenses

Suppression of construction costs

Reduction of advertising expenses by reviewing flyer promotional

Reduce expenses by charging for delivery service

Improved productivity through operation standardization of automatic ordering

9. Nursing Home and Preventive Nursing Business

Wellife
SALON DAY

	1H FY2015		
	(million yen)	Share (%)	YoY change (million yen)
Net sales	770	100.0	110.4
Operating profit	-10	-	-
Recurring profit	21	2.7	-

Wellife

Rise in the occupancy rate
 Tokyo **73.2%**
 (Up 7.1 points from the end of last year)
 Hachioji **68.3%**
 (Up 5.8 points from the end of last year)

SALON DAY

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

Day service centers **4** facilities opened
 ⇒ Day service centers **38** facilities
 Home care support office **1** facility opened
 ⇒ Care support center **2** facilities

- Switch from a 10-person system to a 15-person system
- Development of SALON DAY Refre, a massage-type day service

FY2015 Forecasts (Consolidated)

FY2015 Forecasts (Consolidated)

Full-year forecast does not change

	FY2014 (consolidated results)		FY2015 (consolidated projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Net sales	197,483	100.0	216,200	100.0	109.5
Gross profit	52,004	26.3	57,652	26.7	110.9
SG&A expenses	42,997	21.8	47,407	21.9	110.3
Operating profit	9,006	4.6	10,245	4.7	113.7
Recurring profit	9,470	4.8	10,500	4.9	110.9
Net profit	5,779	2.9	6,100	2.8	105.5