



CREATE SD HOLDINGS

*FY2016 (6/15–5/16) Interim Results Explanatory Meeting
January 15, 2016*

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.
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FY2016 (6/15–5/16) Interim Results Explanatory Meeting

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2. Promotion of pharmacies supporting customer health

■ FY2016 Forecasts (Consolidated)

1. FY2016 Forecasts (Consolidated)

1H FY2016 Consolidated Results (06/2015 – 11/2015)

1. 1H FY2016 Consolidated Profit and Loss Statement

	1H FY2015 (consolidated)		1H FY2016 (consolidated)			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of projection (%)
Net sales	104,559	100.0	113,721	100.0	108.8	101.9
Gross profit	27,335	26.1	30,885	27.2	113.0	104.0
SG&A expenses	23,085	22.1	24,154	21.2	104.6	98.7
Operating profit	4,250	4.1	6,731	5.9	158.4	128.9
Recurring profit	4,457	4.3	6,933	6.1	155.6	129.6
Net profit	2,750	2.6	4,502	4.0	163.7	133.2

2. 1H FY2016 Consolidated Balance Sheet

(million yen)

	May 31, 2015 (consolidated)	November 30, 2015 (consolidated)	Change
Total assets	88,767	92,271	+3,504
Current assets	51,512	54,879	+3,367
Fixed assets	37,254	37,391	+137
Total liabilities	42,807	42,530	-276
Current liabilities	39,384	38,993	-391
Fixed liabilities	3,422	3,537	+114
Total net assets	45,960	49,740	+3,780
Total liabilities and net assets	88,767	92,271	+3,504

Main causes of changes

Total assets

【Increase factor】

- Increase in cash by the increase in net income and investment decrease +2,509million yen
- Merchandise +740 million yen

Total liabilities

【Increase factor】

- Point reserve fund +90 million yen
- ##### 【decrease factor】
- Account payable

-376 million yen

- Unpaid consumption

-365million yen

Total net asset

【Increase factor】

- Net profit 4,502 million yen

【decrease factor】

- Dividend payment -737million yen

3. 1H FY2016 Consolidated Statement of Cash Flows

(million yen)

	November 30, 2014 (consolidated)	November 30, 2015 (consolidated)	Change
Cash flow from operating activities	5,148	5,122	-26
Cash flow from investing activities	-2,979	-1,874	+1,105
Cash flow from financing activities	-5,269	-737	+4,532
Change in cash and cash equivalents	-3,101	2,509	+5,611
Opening balance of cash and cash equipments	19,335	20,268	+933
Closing balance of cash and cash equipments	16,234	22,778	+6,544

Main causes of changes

◆ Cash flow from operating activities

- Net profit before taxes +2,521 million yen
- Corporate taxes paid -1,205 million yen
- Accounts payable-trade -1,156 million yen
- Point reserve fund -410 million yen

◆ Cash flow from investing activities

- investment to store openings and renovation +978 million yen
- ※ 11 new OTC stores were opened
(There are fewer 8 stores than the last year)

◆ Cash flow from financing activities

- share buyback -4,392 million yen

4. About the division of stocks

A 3 for 1 stock split was carried out with December 16, 2015 as the effective date.

Enhance liquidity in the market by increasing the total number of shares issued

Aim to expand the investor base by lowering the amount of investment per share unit

The dividend was effectively increased by revising the term-end dividend per share (forecast) from 35 yen to 12 yen (a dividend of 36 yen before the conversion. *1/3 was rounded up).

The results of the Main Business Company

1.1H FY2016 Profit and Loss Statement (Create SD)

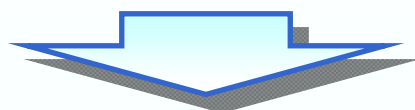
	1H FY2015		1H FY2016			
	(million yen)	Share (%)	(million yen)	Share (%)	YoY change (%)	% of projection (%)
Net sales	103,788	100.0	112,860	100.0	108.7	101.9
Gross profit	27,333	26.3	30,904	27.4	113.1	104.1
SG&A expenses	23,331	22.5	24,453	21.7	104.8	98.8
Operating profit	4,002	3.9	6,450	5.7	161.2	130.7
Recurring profit	4,173	4.0	6,647	5.9	159.3	131.3
Net profit	2,586	2.5	4,313	3.8	166.8	133.7

2. New Store Openings

11 new OTC stores and 2 ethical pharmacies were opened

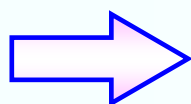
New store openings by area

		Kanagawa	Tokyo	Shizuoka	Chiba	Other	Total
New stores opened in 1H FY2016	OTC	6	1	2	1	1	11
	in-store pharmacies	0	0	0	2	0	2
	dedicated prescription drug stores	0	0	0	0	0	0



Store closing 2 were S&B , 1 was contract expiration

		Kanagawa	Tokyo	Shizuoka	Chiba	Other	Total
Total number of stores as of the end of 1H FY2016	OTC	251	78	66	24	36	455
	in-store pharmacies	66	19	12	3	10	110
	Rate of pharmacy establishment in OTC stores	26.3%	24.4%	18.2%	12.5%	27.8%	24.2%
	dedicated prescription drug stores	17	7	0	3	2	29



Reinforcement of the store development system with a larger staff charged with developing stores

3. Sales by Segment

	1H FY2015			1H FY2016		
	Sales (million yen)	Share (%)	YoY change (%)	Sales (million yen)	Share (%)	YoY change (%)
Medical and health products	23,250	22.4	109.5	25,992	23.0	111.8
(O T C)	17,037	16.4	103.3	18,104	16.0	106.3
(Prescription)	6,213	6.0	131.0	7,888	7.0	127.0
Cosmetics	15,845	15.3	102.9	16,813	14.9	106.1
Food products	39,698	38.2	113.9	43,392	38.4	109.3
Daily products	18,799	18.1	105.3	19,926	17.7	106.0
Other	6,194	6.0	105.4	6,735	6.0	108.7
Total	103,788	100.0	109.0	112,860	100.0	108.7

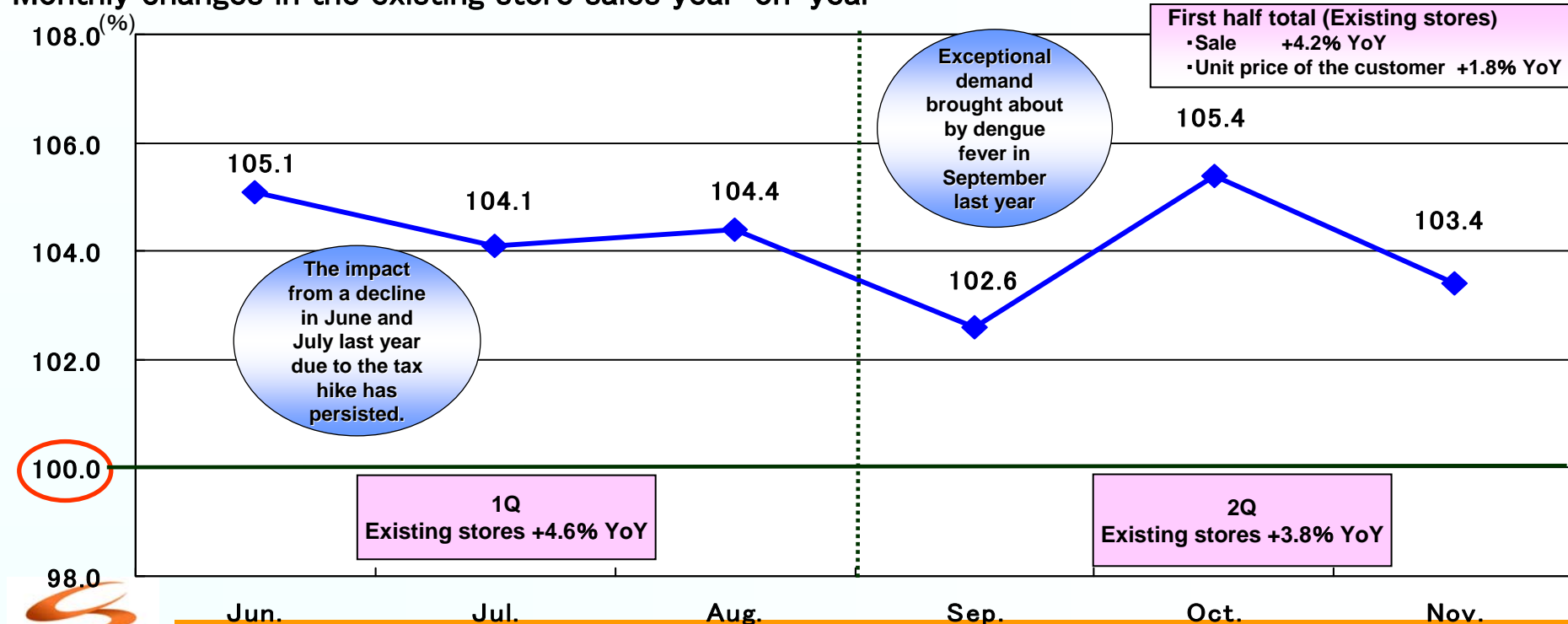
“Other” includes items such as stationery, baby products, clothing, pet products, gardening products, and film development services.

4. Sales

First half total, YoY +8.7% vs. Budget +1.9% Existing stores +4.2% YoY

- Food products and prescription sections remained firm to push up overall results.
- The unit price of products rose due to price per product being controlled in response to price hikes in the market.
- Revitalization of existing stores by Renovation and expanding merchandise

Monthly changes in the existing store sales year-on-year



4. Sales

Renovation of existing stores

Renovation of **20 stores**

- Revision of floor space allocation for food, cosmetics and daily products
- Expanded introduction of meat
(Expanded introduction of meat ⇒ **257 stores** 1H FY2016)
- Change in merchandise at urban-style stores

Dispensing pharmacy

Dispensing existing store +20.5% YoY

- Sales at dispensing pharmacies, which have been opened aggressively for the past three years, have stayed firm to boost overall sales.

5. Gross profit

Gross profit margin 27.4%
YoY change +1.1pt vs. Budget change +0.6pt

Deployment strengthening of the nuclear category goods

- Securing profits in a gross margin mix by deploying a combination of price-appeal and value-appeal products
- Promoting sales by deploying seasonal products before the season actually starts
- Improvement in profits by setting prices to meet market prices

Sales ratio of dispensing department rises

- Prescription sector with high profitability stayed steady
⇒ A rise in its percentage in sales pushed the gross profit margin upward.

6. Prescription Section

	1H FY2016		
	(million yen)	Share (%)	YoY change (%)
Net sales	7,888	100.0	127.0
Gross profit	3,165	40.1	123.9

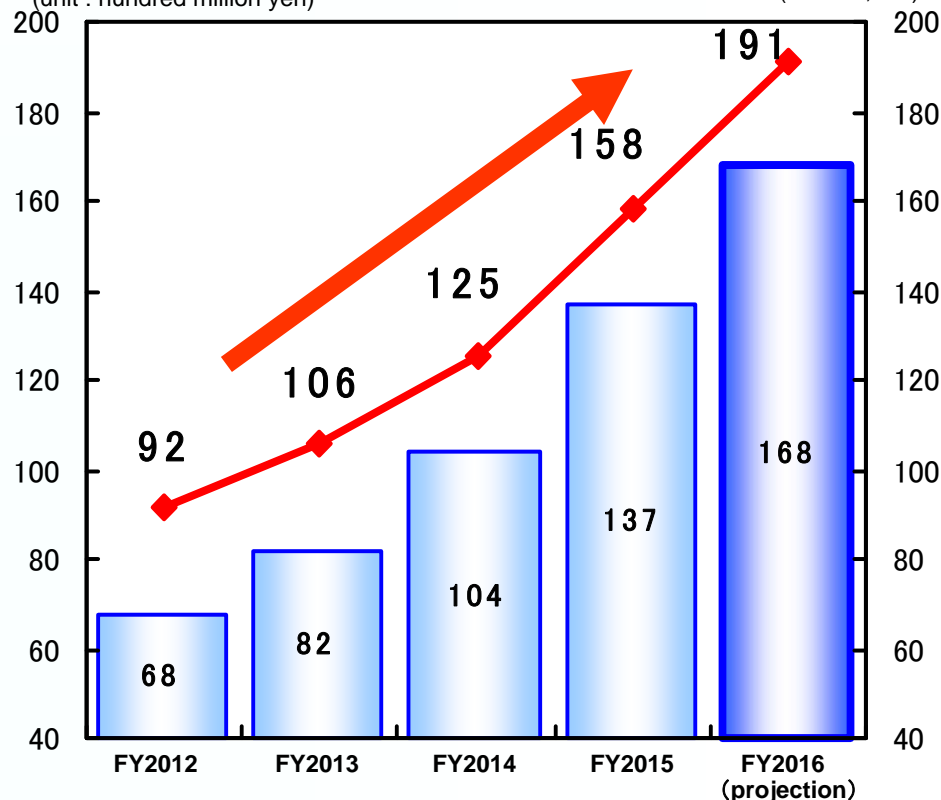
Existing stores comparisons

Sales year-on-year +20.5%
Prescription year-on-year +12.9%

Sales in prescription operations and the number of prescriptions issued

Bar graph: Sales
 (unit : hundred million yen)

Line graph:
 Number of prescriptions issued
 (unit: 10,000)



- Promotion of generic product usage
 Usage rate is **61.3%** (quantity basis)
- Promotion of medication guidance by visit Collaboration with **70** nursing facilities (demand from **5** new facilities)

7. SG&A Expenses

First half total, YoY +4.8% vs. Budget -1.2%

Operating within the plan by making efforts to reduce various costs

Utilities expenses vs. Budget -10.5%

- **Curbing electricity consumption by shifting store lighting to LED and taking power-saving measures in stores**
- **A reduction in fuel adjustment cost unit price due to falling oil prices**

Personnel expenses vs. Budget -0.5%

- **Overtime and reduction of by reviewing and review of staffing of work**

Building expenses

Restrained any increase in construction costs by reviewing store specifications and competitive bidding to cope with the rise in construction materials and labor costs

FY2016 consolidated The second half of the efforts

1. Active investment for growth and efficiency

Activation of existing stores

Expansion of assortment

- Expansion of meat and fruit and vegetable assortment
- Enhancement of frozen foods and daily delivered goods assortment
- Refurbishing large stores with an emphasis on food
- Introduction of sundry goods that have not been dealt with before

Renewal of fixtures and equipment

- Renewal of LED lighting and furniture of cosmetics department
- Review of furniture specification of daily necessities department

1. Active investment for growth and efficiency

Renovation of the store equipment

- Making additional investment to shift store lighting to LED
- Increase in work efficiency due to the expansion of fixtures
- Maintenance of store interior and signage, parking lot

Store renovation and capital investment of pharmacy

- Efficiency up by investment of dispensing equipment
- Expansion of existing pharmacy
- New installation of in-home bases and dispensing training centers

2. Promotion of pharmacies supporting customer health

Personal pharmacies

- Development of human resources, improvement of training content
- Improvement of operations by investment in equipment
- Strengthening cooperation with local medical
- Strengthening medication guidelines by visits to individual homes
- Upgrading the content of health consultation meetings and conducting a pilot introduction of blood tests

University Hospital before the pharmacy

- Opening dispensing pharmacies with a sterile preparation room, also capable of rendering in-home services
- Expansion and improvement of venues for clinical education for pharmacists

FY2016 Forecasts (Consolidated)

FY2016 Forecasts (Consolidated)

	FY2015 (consolidated results)		FY2016 (consolidated projection)		
	(million yen)	Share (%)	(million yen)	Share (%)	YoY Change (%)
Net sales	213,918	100.0	227,300	100.0	106.3
Gross profit	57,516	26.9	61,000	26.8	106.1
SG&A expenses	46,787	21.9	49,860	21.9	106.6
Operating profit	10,728	5.0	11,140	4.9	103.8
Recurring profit	10,982	5.1	11,400	5.0	103.8
Net profit	6,561	3.1	7,030	3.1	107.1

Full-year forecast will not be changed at this time.

The watching future performance trends, if it is determined necessary to correct the promptly disclose.