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Announcement of the Formulation of the Medium-Term Management Plan “plan2013”

The FALCO company group hereby announces that it recently formulated a medium-term management plan taking the term ending March 2013 as its final year.

The company group made “Aiming at becoming a general medical services company - Moving towards the era of individualized medicine -” its medium-term management vision in the medium-term management plan “plan2010” and pursued activities targeting consolidated sales of 60 billion yen. The FALCO group shifted to a holding company system in March 2010 and carried out a business merger with Simeno Drug Co., Ltd., a drug store business and dispensing pharmacy business centered on the Hokuriku region, in April 2010, leading to the forecast that the group will largely be able to achieve its initial targets during this term of business. From now on, the company group will position its clinical testing business, dispensing pharmacy business and drug store business as its three core pillars, and make efforts towards further improving the overall corporate value of the group by promoting the growth of each business division and creating synergies.

As for the business environment surrounding the FALCO group, while the declining birthrate and aging population are advancing rapidly, and the cloudy economic situation is continuing, we are facing up to new developments arising from people’s increased interest in health, changes in consciousness of lifestyles and the diversification of needs regarding medicine.

Consequently, the FALCO group will raise “The new development of a general medical services company - Moving towards the era of individualized medicine -” as the group’s management policy in the medium-term management plan “plan2013” and promote efforts towards new development from the fusion of medical, prevention and lifestyle business to strengthen and invigorate our foundation businesses and earning capacity.

The overview of the medium-term management plan “plan2013” is as follows.

<Business targets>

- Term ending March 2013 (consolidated) -

- (1) Consolidated results: Achievement of sales of 70 billion yen, operating income of 3 billion yen and net income of 1.5 billion yen.
- (2) Consolidated indicators: Achievement of an operating margin of 4.3% and a capital to asset ratio of 40%
- (3) Consolidated segment indicators:
 - Clinical testing business and peripheral business:
Achievement of an operating margin of 5.2%, IT business sales of 2 billion yen and profitability of genetic testing business
 - Dispensing pharmacy business: Achievement of 100 store openings
 - Drug store business: Achievement of 70 store openings

<Management policy>

“The new development of a general medical services company - Moving towards the era of individualized medicine -”

- [1] Towards new development from the fusion of medical, prevention and lifestyle business
We will aim for new business developments unique to the FALCO group that take advantage of the strengths of clinical testing business, dispensing pharmacy business and drug store business.
- [2] Strengthening and invigoration of the competitiveness of base businesses
We will undertake efforts aimed at strengthening the capacity of clinical testing business, dispensing pharmacy business and drug store business to respond to the marketplace.
- [3] Improvement of the combined service capacity of the clinical testing business
We will promote collaborative development among clinical testing business, dispensing pharmacy business and drug store business.
- [4] Early commercialization of IT business and genetic testing business
We will aim for commercialization in IT business by strengthening sales and development capabilities.
We will aim for commercialization in genetic testing business based on the spread of human gene testing.
- [5] Promotion of new store development in dispensing pharmacy business and drug store business
We will aim for the development of drug stores/ dispensing pharmacy stores close to medical facilities.
- [6] Change of growth strategy from human resources to human assets
We will cultivate human assets able to cope flexibly with clinical testing business, dispensing pharmacy business and drug store business, as well as human assets knowledgeable with each business.
- [7] We will implement management with an emphasis on the balance sheet.
We will implement business management in consideration of the financial efficiency of the group.

<Policies in each business sector>

(1) Clinical testing business and peripheral business

“The creation of new value”

[Clinical testing business]

We will upgrade and enhance systems aiming for the improvement of customer satisfaction and strengthen competitiveness by cutting test costs and promoting M&A.

In addition, we will work on the diffusion of stress and anti-ageing tests and seek to homogenize services based on the orderly disposition, elimination and consolidation of clinical testing business companies.

[Genetic testing/ clinical research business]

We will work on the diffusion/ expanded sales of human gene testing centered on BRCA gene testing, pursue profitability, and aim for early commercialization.

[IT business]

We will strengthen the capacity to sell systems for hospitals and electronic medical records for clinics and the capacity to develop new systems, and aim for early commercialization.

[Food sanitation and environmental health business]

We will pursue expansion of business scale by strengthening sales and marketing capabilities, and aim for early commercialization.

(2) Dispensing pharmacy business

“Developing from point to plane - We will develop a new style of pharmacy based on the fusion of drug store business and dispensing pharmacy business”

- [1] We will aim for new styles of store development such as the development of stores conscious of self-medication, positive sales of health care products at existing stores, and home business using our store network.
- [2] We will strengthen competitiveness based on a strategy for domination, the promotion of computerization and the promotion of M&A.
- [3] We will invigorate the business by strengthening our ability to hire pharmacists through the expansion of our unique support-type franchised stores and the improvement of the company brand.

(3) Drug store business

“A general health care company - Aiming to be the best drug stores in the region”

- [1] We will strengthen the opening of combined dispensing pharmacy and drug stores and promote such stores as customer favorites in regional areas.
- [2] We will strengthen competitiveness by strengthening counseling by specialists in healthcare (care/ lifestyle support), national registered dieticians (dietary education) and specialists in beauty care (cosmetic beauty), and strengthening sales of category one drug products.
- [3] We will invigorate business by the promotion of new store openings and scrap and build measures for existing stores, and the localization of marketing and sales capacities (ability to respond to regional markets).

(4) Results targets by business

• Sales

(Unit: ¥ million)

	Term ending March 2011	Term ending March 2012	Term ending March 2013
Clinical testing business and peripheral business	27,000	28,000	29,000
Dispensing pharmacy business	15,750	17,000	19,000
Drug store business	17,250	18,000	18,700
Other business	-	2,000	3,300
Consolidated	60,000	65,000	70,000

• Operating income

(Unit: ¥ million)

	Term ending March 2011	Term ending March 2012	Term ending March 2013
Clinical testing business and peripheral business	1,150	1,400	1,500
Dispensing pharmacy business	810	900	1,000
Drug store business	40	200	450
Other business	-	0	50
Consolidated	2,000	2,500	3,000