



# Summary of Financial Statements for the Third Quarter of Fiscal Year Ending April 2016

[Japan GAAP] (Consolidated)

February 24, 2016

Name of listed company: **AIN HOLDINGS INC.**  
 Exchange listed on: First Section of Tokyo Stock Exchange and Sapporo Securities Exchange  
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 Date of filing quarterly securities report: March 16, 2016  
 Start of dividend payment: —  
 Supplementary documents for quarterly results: Yes  
 Quarterly results briefing: No

(Amounts are rounded down to the nearest million yen.)

## 1. Consolidated results for the third quarter of fiscal year ending April 30, 2016 (May 1, 2015 to January 31, 2016)

### (1) Consolidated operating results

(Percentage figures show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended January 31, 2016	169,395	24.2	10,004	33.2	10,315	31.8	5,531	23.7
Nine months ended January 31, 2015	136,394	8.2	7,510	0.1	7,824	0.2	4,471	4.4

(Note) Comprehensive income: Nine months ended January 31, 2016: ¥5,408 million (+17.1%)  
 Nine months ended January 31, 2015: ¥4,618 million (+8.2%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended January 31, 2016	174.44	—
Nine months ended January 31, 2015	141.04	—

\* On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Earnings per share is calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of January 31, 2016	137,584	52,234	37.9	1,644.86
As of April 30, 2015	114,149	48,046	42.0	1,511.57

(Reference) Shareholders' equity: As of January 31, 2016: ¥52,154 million As of April 30, 2015: ¥47,928 million

## 2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	Full year
	Yen	Yen	Yen	Yen	Yen
Year ended April 30, 2015	—	0.00	—	30.00	30.00
Year ending April 30, 2016	—	0.00	—		
Year ending April 30, 2016 (forecast)				40.00	40.00

(Note) Revision to the most recently announced dividend forecasts: No

3. Consolidated financial forecasts for the fiscal year ending April 30, 2016 (May 1, 2015 to April 30, 2016)

(Percentage figures show year-on-year changes.)

Full year	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	218,280	16.2	13,400	17.0	13,700	17.1	7,230	16.7	228.02

(Note) Revision to the most recently announced consolidated financial forecasts: No

\*Notes

(1) Major changes in subsidiaries during the period (changes in specified subsidiaries resulting from changes in scope of consolidation): No

Newly consolidated: – Excluded: –

(2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements: Yes

(Note) For detail, please refer to "2. Matters concerning summary information (notes) (2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements" on page 3 of the Attachment.

(3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions

1) Changes in accounting principles as a result of revisions to accounting standards, etc.: Yes

2) Changes in accounting principles other than 1): No

3) Changes in accounting estimates: No

4) Restatement of revisions: No

(Note) For detail, please refer to "2. Matters concerning summary information (notes) (3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions" on page 3 of the Attachment.

(4) Number of outstanding shares (common stock)

1) Number of outstanding shares (including treasury stock):	As of January 31, 2016	31,888,212 shares	As of April 30, 2015	31,888,212 shares
2) Number of shares held in treasury:	As of January 31, 2016	180,595 shares	As of April 30, 2015	180,595 shares
3) Average number of shares outstanding:	Nine months ended January 31, 2016	31,707,617 shares	Nine months ended January 31, 2015	31,708,010 shares

\* On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Average number of shares outstanding is calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

\*Status of execution of the quarterly review of financial statements

This quarterly financial summary is not subject to the quarterly review procedure based on the Financial Instruments and Exchange Act. As of the time of disclosure, this review procedure for quarterly financial consolidated statements had not been completed.

\*Statement regarding the proper use of financial forecasts and other special remarks

The above forecasts are calculated based on the information available as of the publication date of this material, and actual financial results may vary due to change in future economic conditions and others.

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## 1. Qualitative information on consolidated results for the period under review

### (1) Consolidated operating results

During the first nine months of the current fiscal year (May 1, 2015 to January 31, 2016), the Japanese economy recovered at a moderate pace, supported by firm consumer spending and improvements in corporate earnings and the employment market.

In this economic environment, the AIN HOLDINGS Group (the Group) worked to expand its business and increase earnings. Specifically, the Group opened new dispensing pharmacies and used M&A to expand the business. It also developed its urban drug and cosmetic store business.

In addition, effective from November 1, 2015, the Group moved to a holding company structure. By separating the Group's management and business execution functions, the Group aims to enhance corporate governance, clarify the authority and responsibility of each business segment and promote greater management autonomy, creating the foundations for further business expansion.

In the first nine months of the fiscal year, net sales rose 24.2% year on year to ¥169,395 million, operating income increased 33.2% to ¥10,004 million, ordinary income increased 31.8% to ¥10,315 million, and profit attributable to owners of parent increased 23.7% to ¥5,531 million.

Financial results by business segment are as follows.

#### (Dispensing pharmacy business)

In the dispensing pharmacy business, sales continued to rise at existing dispensing pharmacies, supported by an increase in average sales per prescription due to growth in prescriptions for new medicines.

In drug price and dispensing fee revisions scheduled for April 2016, we expect the role of pharmacies located near hospitals to be reevaluated, but in order to realize patient-focused non-hospital dispensing services, pharmacists and dispensing pharmacies will be strongly required to play a key role at the heart of local communities.

To ensure our pharmacists and dispensing pharmacies fulfill their role at the heart of local communities, the Group will continue to build links with local healthcare service providers, mainly in the area of home-based dispensing, step up the integration and continuous management of drug information using patient medication notebooks and other means, and promote wider use of generic drugs.

In business development, the Group continued to push ahead with business expansion by opening new dispensing pharmacies and using M&A, including the acquisition of NP HOLDINGS Co., Ltd. (Takamatsu-shi, Kagawa Prefecture) in November 2015. NP HOLDINGS is the largest dispensing pharmacy chain in the Shikoku region and is now a subsidiary of the Group.

As a result, for the first nine months of the fiscal year, the dispensing pharmacy business reported sales and profit growth with sales rising 23.9% year on year to ¥151,884 million and segment income increasing 38.9% to ¥13,341 million.

During the period under review, the Group opened 97 new dispensing pharmacies, including those acquired through M&A deals, and closed nine pharmacies, resulting in a total of 842.

#### (Drug and cosmetic store business)

In the drug and cosmetic store business, the market environment remained challenging due to a narrowing competitive gap between companies in the sector and the emergence of new competitors from sector consolidation and realignment that also extends to other business sectors.

Against this backdrop, the Group continued to open *ainz & tulpe* urban drug and cosmetic stores, strengthened merchandise lineups, particularly drug and cosmetics products, and worked to capture inbound demand. As a result, sales at existing drug and cosmetic stores increased year on year.

In addition, in February 2016, the Group opened *ainz & tulpe* NEW CHITOSE AIRPORT (Chitose-shi, Hokkaido) in the airport's international passenger terminal, in order to further strengthen efforts to capture inbound demand.

The Le trois retail facility (Chuo Ward, Sapporo), which was opened in September 2015, saw steady customer traffic and sales, supported by efforts to promote it as a mixed-use integrated beauty complex in Sapporo's Odori area.

As a result, for the first nine months of the fiscal year, the drug and cosmetic store business reported an increase in sales of 19.1% year on year to ¥15,601 million. However, segment loss was ¥336 million, compared with segment income of ¥92 million in the same period a year earlier.

In the third quarter of the fiscal year, the Group opened *ainz & tulpe* MARUI CITY YOKOHAMA (Nishi Ward, Yokohama), *ainz & tulpe* SHINJUKU HIGASHIGUCHI (Shinjuku Ward, Tokyo) and *ainz & tulpe* Le trois (Chuo Ward, Sapporo) and closed four stores, centered on suburban-type stores, resulting in a total of 55 cosmetic and drug stores at the end of the third quarter.

(Other businesses)

Net sales from other businesses rose 173.1% year on year to ¥1,910 million and segment loss was ¥786 million compared with the loss of ¥34 million a year earlier.

## **(2) Consolidated financial position**

The balance of total assets at the end of the third quarter increased by ¥23,434 million from the end of the previous fiscal year to ¥137,584 million.

This mainly reflected cash on hand and in banks and increases in inventories, property, plant and equipment such as land, buildings and structures, and goodwill due to the Group's business expansion through new store openings and M&A.

The balance of liabilities increased ¥19,246 million to ¥85,349 million.

The balance of short- term and long-term debts increased by ¥9,049 million to ¥23,020 million.

Total net assets increased by ¥4,188 million to ¥52,234 million and the shareholders' equity ratio decreased 4.1 percentage points to 37.9%.

## **(3) Forecast of consolidated financial results and other forward-looking information**

The Group has made no change to its earnings forecasts for the full fiscal year, announced on May 27, 2015.

## **2. Matters concerning summary information (notes)**

### **(1) Major changes in subsidiaries during the period**

There are no applicable matters to be reported.

### **(2) Application of specified accounting methods for the preparation of quarterly consolidated financial statements**

Tax expenses were calculated by reasonably estimating the effective tax rate after the application of tax effect accounting to income before income taxes for the consolidated fiscal year including the third quarter, and multiplying the estimated effective tax rate by income before income taxes for the quarter.

### **(3) Changes in accounting principles, changes in accounting estimates, and restatement of revisions**

[Application of accounting standard for business combinations, etc.]

The Company has applied the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) from the first quarter of the current fiscal year. As a result, the accounting method was changed to record the difference arising from changes in the equity in subsidiaries under ongoing control of the Company as capital surplus, and acquisition-related costs as expenses for the fiscal year in which they are incurred. In addition, with respect to any business combination entered into on or after the first day of the first quarter under review, the accounting method was changed to reflect adjustments to the allocation of acquisition cost under provisional accounting treatment on the consolidated financial statements of the quarterly financial period in which the relevant business combinations became or will become effective. Furthermore, the presentation method for "net income" was changed, and references to "minority interests" were changed to "non-controlling interests." To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the third quarter of the previous fiscal year and the previous fiscal year.

The Company has applied the Accounting Standard for Business Combinations and the other standards in accordance with transitional provisions in paragraph 58-2(4) of the Accounting Standard for Business Combinations, paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4(4) of the Accounting Standard for Business Divestitures, prospectively at the beginning of the first quarter under review.

As a result, during the first nine months of the fiscal year, capital surplus decreased ¥214,890 thousand and operating income, ordinary income and income before income taxes each declined by ¥482,292 thousand.

**3. Quarterly consolidated financial statements****(1) Quarterly consolidated balance sheet**

(Thousand yen)

	Fiscal year ended April 30, 2015 (As of April 30, 2015)	Nine months ended January 31, 2016 (As of January 31, 2016)
<b>Assets</b>		
Current assets		
Cash on hand and in banks	19,553,423	24,209,231
Notes and accounts receivable	8,369,451	12,942,015
Merchandise	9,747,115	12,435,625
Supplies	162,635	162,989
Deferred tax assets	894,440	1,031,915
Short-term loans	739,342	770,939
Other accounts receivable	5,291,030	4,011,769
Other current assets	1,765,517	2,497,308
Allowance for doubtful accounts	(157,053)	(424,216)
Total current assets	46,365,901	57,637,579
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	11,678,535	14,784,312
Land	7,931,761	8,323,176
Other property, plant and equipment, net	2,862,045	4,155,975
Total property, plant and equipment	22,472,342	27,263,464
Intangible fixed assets		
Goodwill	26,340,056	31,773,683
Other intangible fixed assets	1,283,021	2,146,103
Total intangible fixed assets	27,623,077	33,919,787
Investments and other assets		
Investments in securities	2,872,382	2,880,051
Deferred tax assets	984,239	1,481,052
Deposits and guarantees	9,710,040	10,008,071
Other investments and other assets	4,644,288	5,202,148
Allowance for doubtful accounts	(522,385)	(807,709)
Total investments and other assets	17,688,566	18,763,614
Total fixed assets	67,783,986	79,946,866
Total assets	114,149,888	137,584,445

(Thousand yen)

	Fiscal year ended April 30, 2015 (As of April 30, 2015)	Nine months ended January 31, 2016 (As of January 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	31,826,516	40,195,645
Short-term debt	6,330,773	6,998,266
Accrued income taxes	2,320,567	2,226,176
Deposits received	9,052,200	10,460,156
Allowance for bonuses to employees	1,353,380	694,563
Allowance for bonuses to directors	11,751	4,260
Reserve for reward obligations	338,824	394,647
Other current liabilities	3,199,345	3,835,973
<b>Total current liabilities</b>	<b>54,433,358</b>	<b>64,809,689</b>
<b>Long-term liabilities</b>		
Long-term debt	7,640,133	16,022,352
Net defined benefit liability	1,636,186	2,035,957
Other long-term liabilities	2,393,661	2,481,497
<b>Total long-term liabilities</b>	<b>11,669,982</b>	<b>20,539,807</b>
<b>Total liabilities</b>	<b>66,103,340</b>	<b>85,349,497</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	8,682,976	8,682,976
Capital surplus	7,872,970	7,658,079
Retained earnings	31,639,894	36,219,834
Treasury stock	(419,311)	(419,311)
<b>Total shareholders' equity</b>	<b>47,776,529</b>	<b>52,141,578</b>
<b>Accumulated other comprehensive income (loss)</b>		
Unrealized holding gains on securities	227,061	65,795
Remeasurements of defined benefit plans	(75,210)	(52,695)
<b>Total accumulated other comprehensive income(loss)</b>	<b>151,851</b>	<b>13,100</b>
Non-controlling interests	118,166	80,269
<b>Total net assets</b>	<b>48,046,547</b>	<b>52,234,948</b>
<b>Total liabilities and net assets</b>	<b>114,149,888</b>	<b>137,584,445</b>

**(2) Quarterly consolidated statements of income and comprehensive income****Quarterly consolidated statements of income**

	(Thousand yen)	
	Nine months ended January 31, 2015 (May 1, 2014 to January 31, 2015)	Nine months ended January 31, 2016 (May 1, 2015 to January 31, 2016)
Net sales	136,394,428	169,395,846
Cost of sales	116,156,197	142,049,330
Gross profit	20,238,230	27,346,515
Selling, general and administrative expenses	12,727,547	17,341,735
Operating income	7,510,683	10,004,780
Non-operating income		
Interest income	54,395	42,977
Dividend income	30,677	33,477
Commissions received	35,504	49,455
Real estate rental revenue	122,014	132,803
Consignment income	116,048	143,655
Other non-operating income	197,374	420,964
Total non-operating income	556,014	823,333
Non-operating expenses		
Interest expenses	62,826	71,594
Losses on sales of accounts receivables	61,685	60,594
Real estate rental expenses	66,129	65,628
Provision of allowance for doubtful accounts	-	282,600
Other non-operating expenses	51,551	31,707
Total non-operating expenses	242,193	512,125
Ordinary income	7,824,503	10,315,987
Extraordinary income		
Gains on sales of investments in securities	7,040	-
Gains on sales of fixed assets	2,298	23,681
Penalty income	-	68,196
Other extraordinary income	-	15,895
Total extraordinary income	9,338	107,773
Extraordinary losses		
Losses on disposal and sales of fixed assets	128,151	242,529
Impairment losses on investments in securities	29,441	96,273
Directors' retirement benefits	106,960	-
Restructuring loss	-	98,637
Other extraordinary losses	56,449	11,448
Total extraordinary losses	321,002	448,889
Income before income taxes	7,512,839	9,974,871
Income taxes	3,016,963	4,427,691
Profit	4,495,876	5,547,180
Profit attributable to non-controlling interests	23,920	16,011
Profit attributable to owners of parent	4,471,955	5,531,168

**Quarterly consolidated statements of comprehensive income**

(Thousand yen)

	Nine months ended January 31, 2015 (May 1, 2014 to January 31, 2015)	Nine months ended January 31, 2016 (May 1, 2015 to January 31, 2016)
Profit	4,495,876	5,547,180
Other comprehensive income		
Unrealized holding gains (losses) on securities	102,093	(161,265)
Remeasurements of defined benefit plans, net of tax	20,707	22,514
Total other comprehensive income (loss)	122,801	(138,751)
Comprehensive income	4,618,677	5,408,429
Comprehensive income attributable to owners of parent	4,594,756	5,392,417
Comprehensive income attributable to non-controlling interests	23,920	16,011

**(3) Notes on quarterly consolidated financial statements**

(Notes on the premise of a going concern)

There are no applicable matters to be reported.

(Notes on significant changes in the amount of shareholders' equity)

There are no applicable matters to be reported.

(Segment Information, etc.)

I Nine months ended January 31, 2015 (May 1, 2014 to January 31, 2015)

1. Net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
(1) Sales to third parties	122,592,022	13,102,848	699,557	136,394,428	-	136,394,428
(2) Intersegment sales	-	-	241,792	241,792	(241,792)	-
Total sales	122,592,022	13,102,848	941,350	136,636,221	(241,792)	136,394,428
Segment income (loss)	9,608,081	92,812	(340,201)	9,360,691	(1,536,187)	7,824,503

Notes: 1. The adjustment of ¥(1,536,187) thousand to segment income (loss) includes ¥1,510,308 thousand in corporate expenses, ¥94,473 thousand in losses that are not allocated to reportable segments, and ¥(68,594) thousand in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.

2. Segment income (loss) is adjusted with the ordinary income of quarterly consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

The dispensing pharmacy segment includes nine dispensing pharmacy companies that have been acquired by the Group. During the first nine months of the fiscal year, the increase in goodwill related to these companies was ¥3,914,715 thousand.

II Nine months ended January 31, 2016 (May 1, 2015 to January 31, 2016)

1. Net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segments				Adjustments (Note) 1	Carried on quarterly consolidated statements of income (Note) 2
	Dispensing pharmacy	Drug and cosmetic store	Other	Total		
Sales						
(1) Sales to third parties	151,884,602	15,601,084	1,910,159	169,395,846	-	169,395,846
(2) Intersegment sales	-	-	242,067	242,067	(242,067)	-
Total sales	151,884,602	15,601,084	2,152,227	169,637,913	(242,067)	169,395,846
Segment income (loss)	13,341,126	(336,964)	(786,910)	12,217,251	(1,901,263)	10,315,987

Notes: 1. The adjustment of ¥(1,901,263) thousand to segment income (loss) includes ¥1,958,290 thousand in corporate expenses, ¥7,299 thousand in losses that are not allocated to reportable segments, and ¥(64,327) thousand in eliminations due to intersegment transactions.

Corporate expenses consist mainly of expenses associated with the administrative divisions of the parent company, such as general affairs and accounting divisions.

2. Segment income (loss) is adjusted with the ordinary income of quarterly consolidated statements of income.

2. Impairment losses on fixed assets and goodwill by reportable segment

[Significant impairment losses on fixed assets]:

There are no applicable matters to be reported.

[Significant changes in the amount of goodwill]:

In the dispensing pharmacy business segment, the Company acquired 13 dispensing pharmacy companies and two other companies. During the first nine months of the fiscal year, the increase in goodwill related to these companies was ¥6,671,010 thousand.