



AIN GROUP

IR PRESENTATION

AIN HOLDINGS INC.

August 2016

Results Overview

In the first three months of the fiscal year, net sales increased 10.9% year on year to ¥57,819 million, operating income decreased 15.8% to ¥2,281 million, ordinary income decreased 17.7% to ¥2,376 million, and profit attributable to owners of parent decreased 10.6% to ¥1,371 million.

(¥ million)	FY4/16 1Q results	FY4/17 1Q plan	FY4/17 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	52,146	61,600	57,819	+5,673	+10.9	(6.1)
Gross profit	7,816	9,530	8,954	+1,138	+14.6	(6.0)
% of net sales	15.0	15.5	15.5			
SG&A expenses	5,105	6,880	6,672	+1,567	+30.7	(3.0)
% of net sales	9.8	11.2	11.5			
Operating income	2,710	2,650	2,281	(429)	(15.8)	(13.9)
% of net sales	5.2	4.3	3.9			
Ordinary income	2,886	2,750	2,376	(510)	(17.7)	(13.6)
% of net sales	5.5	4.5	4.1			
Profit attributable to owners of parent	1,533	1,490	1,371	(162)	(10.6)	(8.0)
% of net sales	2.9	2.4	2.4			
Earnings per share(¥)	48.35	46.99	43.25	(5.10)	(10.5)	(8.0)

► Figures in the table are rounded down

For the first three months of the fiscal year, the dispensing pharmacy business reported higher sales but lower profit with sales rising 10.0% year on year to ¥51,438 million and segment income decreasing 8.2% to ¥3,437 million. During the period under review, the Group opened 14 new dispensing pharmacies, including those acquired through M&A deals, and closed one pharmacy, resulting in a total of 894.

(¥ million)	FY4/16 1Q results	FY4/17 1Q plan	FY4/17 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	46,783	54,720	51,438	+4,655	+10.0	(6.0)
Gross profit	6,124	6,910	6,571	+447	+7.3	(4.9)
% of net sales	13.1	12.6	12.8			
SG&A expenses	2,508	3,060	3,226	+718	+28.6	+5.4
% of net sales	5.4	5.6	6.3			
Operating income	3,616	3,850	3,345	(271)	(7.5)	(13.1)
% of net sales	7.7	7.0	6.5			
Segment income	3,745	3,930	3,437	(308)	(8.2)	(12.5)
% of net sales	8.0	7.2	6.7			
Number of pharmacies	763	890	894	131	+17.2	+0.4

▶ Figures in the table are rounded down

▶ Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income

▶ Prescription volume: +13.7% YoY

▶ Average prescription price: (2.7)% YoY

Drug and Cosmetic Store Business(Consolidated)



For the first three months of the fiscal year, the drug and cosmetic store business reported an increase in sales of 5.2% year on year to ¥5,246 million. However, segment loss was ¥194 million, compared with segment loss of ¥124 million in the same period a year earlier. In the first quarter of the fiscal year, the Group opened one store and closed one store, resulting in a total of 52 cosmetic and drug stores.

(¥ million)	FY4/16 1Q results	FY4/17 1Q plan	FY4/17 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	4,985	5,520	5,246	261	+5.2	(5.0)
Gross profit	1,647	1,970	1,880	233	+14.1	(4.6)
% of net sales	33.0	35.7	35.8			
SG&A expenses	1,796	2,110	2,089	293	+16.3	(1.0)
% of net sales	36.0	38.2	39.8			
Operating income	(148)	(140)	(209)	(61)	-	-
% of net sales	-	-	-			
Segment income	(124)	(120)	(194)	(70)	-	-
% of net sales	-	-	-			
Number of stores	57	52	52	(5)	(8.8)	0.0

▶ Figures in the table are rounded down

▶ Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income

▶ No. of customers: (1.7)% YoY

▶ Average spending per customer: +7.1% YoY

Net cash became ¥3,142 million due to the increase of cash on hand and in banks.

(¥ million)

End-FY4/16			
Assets		Liabilities	
Current assets	56,593	Current liabilities	66,744
Cash on hand and in banks	22,647	Short-term debt	5,690
		Lease obligations	668
Fixed assets	83,294	Long-term liabilities	19,818
Investments in securities	2,677	Long-term debt	14,854
		Lease obligations	1,198
Deferred assets	-	Total net assets	53,324
Total assets	139,888	Total liabilities and net assets	139,888

(¥ million)

End-FY4/17 1Q			
Assets		Liabilities	
Current assets	56,326	Current liabilities	67,300
Cash on hand and in banks	26,822	Short-term debt	8,477
		Lease obligations	647
Fixed assets	82,823	Long-term liabilities	18,408
Investments in securities	2,582	Long-term debt	13,448
		Lease obligations	1,107
Deferred assets	-	Total net assets	53,440
Total assets	139,149	Total liabilities and net assets	139,149

Net cash 236

Shareholders' equity ratio(%) 38.1

Net cash 3,142

Shareholders' equity ratio(%) 38.4

▶ Figures in the table are rounded down

▶ Net cash = Cash on hand and in banks – Interest-bearing debt (Long- and short- term debt + Lease obligations)

The balance of total assets decreased by ¥739 million compared to those in the fiscal year ended April 2016.

(¥ million)	End-FY4/16 1Q	End-FY4/16	End-FY4/17 1Q	Change
Cash on hand and in banks	20,465	22,647	26,822	+4,175
Notes and accounts receivable	8,371	12,385	7,621	(4,764)
Inventories	10,785	10,984	11,737	+753
Total current assets	46,421	56,593	56,326	(267)
Buildings and structures, net	11,877	14,694	14,570	(124)
Land	8,172	9,537	9,517	(20)
Lease assets	1,406	1,352	1,273	(79)
Total property, plant and equipment	23,628	28,153	27,766	(387)
Lease assets	26	13	16	+3
Total intangible fixed assets	27,235	35,586	35,558	(28)
Investments in securities	2,979	2,677	2,582	(95)
Deferred tax assets	994	2,038	2,084	+46
Deposits and guarantees	9,714	10,013	10,037	+24
Total investments and other assets	18,127	19,555	19,498	(57)
Total fixed assets	68,991	83,294	82,823	(471)
Total assets	115,413	139,888	139,149	(739)

▶ Figures in the table are rounded down

▶ Capital expenditures (Purchases of property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥748 million

▶ Change (¥): End-FY4/17 1Q compared with end-FY4/16

Liabilities and Net Assets

The total liabilities decreased by ¥854 million compared to those in the fiscal year ended April 2016 due to the repayment of debts.

(¥ million)	End-FY4/16 1Q	End-FY4/16	End-FY4/17 1Q	Change
Accounts payable	33,716	39,987	38,320	(1,667)
Short-term debt	6,162	5,690	8,477	+2,787
Lease obligations	659	668	647	(21)
Total current liabilities	55,878	66,744	67,300	+556
Long-term debt	6,704	14,854	13,448	(1,406)
Lease obligations	1,308	1,198	1,107	(91)
Total long-term liabilities	10,824	19,818	18,408	(1,410)
Total liabilities	66,702	86,563	85,709	(854)
Common stock	8,682	8,682	8,682	-
Capital surplus	7,872	6,367	6,367	-
Retained earnings	32,221	38,605	38,708	+103
Total shareholders' equity	48,358	53,237	53,340	+103
Total net assets	48,710	53,324	53,440	+116
Total liabilities and net assets	115,413	139,888	139,149	(739)

▶ Figures in the table are rounded down

▶ Change(¥):End-FY4/17 1Q compared with End-FY4/16

FY4/17 Plan (Consolidated)

We forecast net sales of ¥265,000 million, up 12.8% year on year and ordinary income of ¥16,700 million, up 10.2% year on year for the fiscal year ending April 30, 2016.

(¥ million)	FY4/15 results	FY4/16 results	FY4/17 plan	YoY change	YoY change (%)
Net sales	187,904	234,843	265,000	+30,157	+12.8
Gross profit	28,961	38,535	44,200	+5,665	+14.7
% of net sales	15.4	16.4	16.7		
SG&A expenses	17,509	23,915	27,900	+3,985	+16.7
% of net sales	9.3	10.2	10.5		
Operating income	11,452	14,619	16,300	+1,681	+11.5
% of net sales	6.1	6.2	6.2		
Ordinary income	11,697	15,158	16,700	+1,542	+10.2
% of net sales	6.2	6.5	6.3		
Profit attributable to owners of parent	6,197	7,917	9,000	+1,083	+13.7
% of net sales	3.3	3.4	3.4		
Earnings per share(¥)	195.45	249.69	283.84	+34.15	+13.7
Annual dividend (¥)	30.00	40.00	50.00	+10.00	+25.0

▶ Figures in the table are rounded down ▶ Change: FY4/17 plan compared with FY4/16 results ▶ Change (%): FY4/17 plan compared with FY4/16 results

▶ 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.

1QReview

Analysis of Results(vs FY4/16 1Q)

Net sales increased 10.9% year on year reflecting the increase of prescription volume in dispensing pharmacy business and the contribution of store openings in the previous year in drug and cosmetic store business. Ordinary income decreased 15.8% due to the impact of dispensing fee revisions.

(¥ million)	FY4/16 1Q results	FY4/17 1Q results	Change	Change (%)
Net sales	52,146	57,819	+5,673	+10.9
Gross profit % of net sales	7,816 15.0	8,954 15.5	+1,138	+14.6
SG&A expenses % of net sales	5,105 9.8	6,672 11.5	+1,567	+30.7
Operating income % of net sales	2,710 5.2	2,281 3.9	(429)	(15.8)
Ordinary income % of net sales	2,886 5.5	2,376 4.1	(510)	(17.7)

Net sales vs FY4/16 1Q results (%)

		Net sales	Prescription volume	Average prescription price
Dispensing pharmacy	Same store(729)	(2.6)	(1.6)	(0.9)
	Store openings in the previous year(141)	+2,731.9	+2,129.7	+25.0
	Total(894)	+10.8	+13.7	(2.7)
		Net sales	Number of customers	Average spending per customer
Drug and Cosmetic store	Same store(47)	(4.1)	(3.7)	(0.4)
	Store openings in the previous year(5)	+1,027.0	+915.5	+11.0
	Total(52)	+5.2	(1.7)	+7.1

Operating income

Dispensing pharmacy	—¥271 million Impact of dispensing fee revisions and the increase of employment of new graduates
Drug and Cosmetic store	—¥61 million Increase of sales promotion cost

- ▶ Figures in the table are rounded down
- ▶ consolidated adjustment is included

- ▶ Inside of parentheses is the number of stores except 2 franchise stores

Analysis of Results(vs Plan)

Net sales decreased 6.1% against our plan reflecting the decrease of average sales per prescription due to dispensing fee revisions. Ordinary income decreased 13.9% against our plan due to the non-achievement of net sales' plan.

(¥ million)	FY4/17 1Q plan	FY4/17 1Q results	Change	Vs plan (%)
Net sales	61,600	57,819	(3,781)	(6.1)
Gross profit	9,530	8,954	(576)	(6.0)
% of net sales	15.5	15.5		
SG&A expenses	6,880	6,672	(208)	(3.0)
% of net sales	11.2	11.5		
Operating income	2,650	2,281	(369)	(13.9)
% of net sales	4.3	3.9		
Ordinary income	2,750	2,376	(374)	(13.6)
% of net sales	4.5	4.1		

<u>Net sales vs plan(%)</u>		Net sales	Prescription volume	Average prescription price
Dispensing pharmacy	Same store(729)	(5.6)	(0.6)	(5.0)
	Store openings in the previous year(141)	(3.0)	(3.4)	+0.1
	Total(894)	(4.7)	(0.3)	(4.5)
		Net sales	Number of customers	Average spending per customer
Drug and Cosmetic store	Same store(47)	(5.2)	-	-
	Store openings in the previous year(5)	(0.1)	-	-
	Total(52)	(4.9)	-	-

Operating income

Dispensing pharmacy	-¥505 million Non-achievement of net sales' plan due to the impact of dispensing fee revisions and the increase of employment of new graduates
Drug and Cosmetic store	-¥69 million Non-achievement of gross profit's plan by non-achievement of net sales' plan

- ▶ Figures in the table are rounded down
- ▶ A consolidated adjustment is included

- ▶ Inside of parentheses is the number of stores except 2 franchise stores

Dispensing Fee Revisions of 2016

	Before	Points		After	Points
Basic dispensing fee	Except following	41 (31)	1	Except following	41 (31)
	Over 4,000 times and over 70% Over 2,500 times and over 90%	25 (19)	2	Over 4,000 times and over 70% or Over 2,000 times and over 90% or Over 4,000 times from specific hospital	25 (19)
			3	Same group over 40,000 times / month and over 95% or Lease contract with medical institution	20(15)
Standards for dispensing system premiums	24-hour rotation support, home healthcare support	12	Basic dispensing fee 41points & Inventory 1,200 items & Home healthcare services (1 case / year) & Notification of Kakaritsuke-pharmasists & Supervising pharmacists having operational experience for at least 5 years and enrollment for at least 1 year		
	24-hour own support, result of home healthcare services	36			
Premiums for generic drug dispensing systems	55%-65%	18	65-75%		
	Over 65%	22	Over 75%		
Drug use history management and guidance fee	Except following	41	Basic dispensing fee 41 points, handing over medication notebook, patients' visiting within 6 months		
	No notebooks	34	Except the above		
Premiums for specific drug management instruction	Specific drug management instruction	4	Kakaritsuke-pharmacists instruction fee		
			10		

▶ Items and requirements mentioned above is a part of dispensing fee revisions

▶ Points inside of parentheses are the subtracted points

Dispensing Fee Revisions of 2016①

		After	Points	March	April	July	Change			(¥)
		After (March 2017)					Change			
Basic dispensing fee	1	Except following	41(31)							
	2	Over 4,000 times and over 70% or Over 2,000 times and over 90% or Over 4,000 times from specific hospital	25(19)	382.4	311.9	311.7	(70.7)	Promotion to receive prescriptions from hospitals that are not located near our pharmacies.	323.2	(59.2)
	3	Same group over 40,000 times / month and over 95% or Lease contract with medical institution	20(15)							
Standards for dispensing system premiums		Basic dispensing fee 41points & Inventory 1,200 items & Home healthcare services (1 case / year) & Notification of Kakaritsuke-pharmasists & supervising pharmacists having operational experience for at least 5 years and enrollment for at least 1 year	32	147.3	116.7	128.2	(19.1)	Right personal distribution and promotion of home healthcare services	165.1	+17.8
Premiums for generic drug dispensing systems	65-75%	18								
	Over 75%	22	191.6	146.8	162.6	(29.0)	Promotion of the use of generic drugs	185.9	(5.7)	
Drug use history management and guidance fee		Basic dispensing fee 41 points, handing over medication notebook, patients' visiting within 6 months	38	382.5	433.7	437.8	+55.3	Raising awareness among patients about Kakaritsuke-pharmacists in each pharmacy	464.0	+81.5
		Except the above	50							
		Kakaritsuke-pharmacists instruction fee	70							
Premiums for specific drug management instruction		Specific drug management instruction	10	9.6	25.3	25.1	+15.5		25.3	+15.7
							(48.0)			+50.1

▶ Items and requirements mentioned above is a part of dispensing fee revisions

▶ Points inside of parentheses are the subtracted points

▶ Average prescription price per a reception

▶ Object: 613 pharmacies

▶ Change: Compared to March 2016

Response② Standards for Dispensing System Premiums

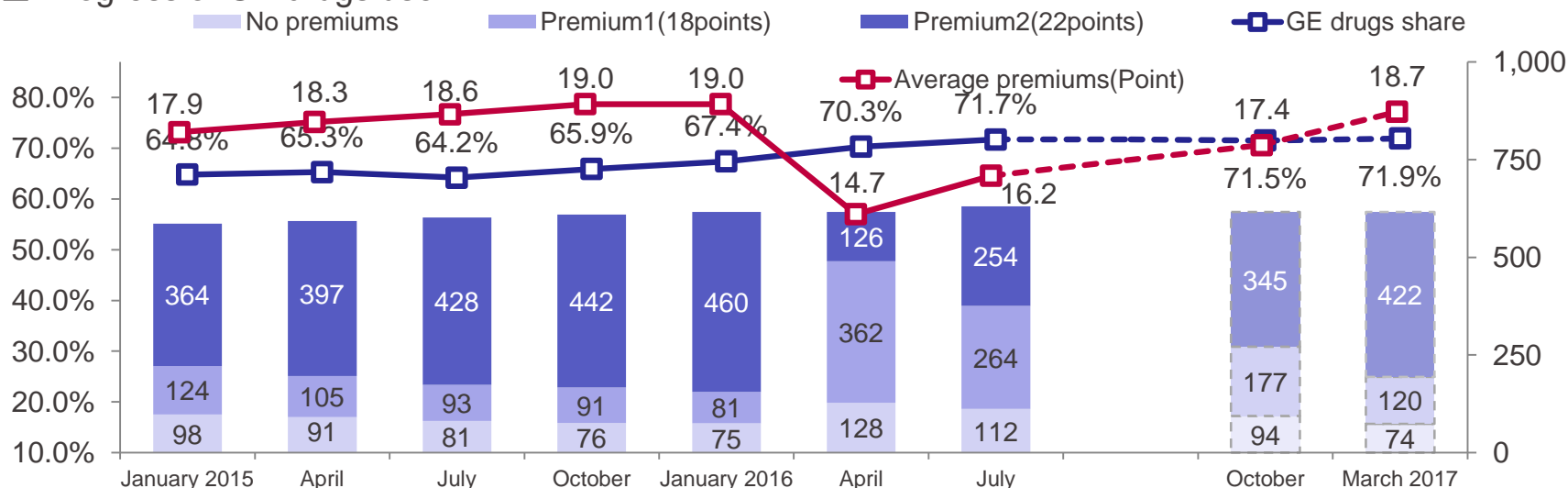
By responding the revisions in 2016, percentage of pharmacies that gain standards for dispensing system premiums became 40.3%, and average premiums for generic drug dispensing systems became 16.2 points.

■ No. of pharmacies that gain standards for dispensing system premium

	March 2016	April 2016	July 2016	March 2017
Premium2 (36points)	124 (20.2%)	222 (36.2%)	247 (40.3%)	354 (57.7%)
Premium1 (12points)	429 (70.0%)	391 (63.8%)	366 (59.7%)	259 (42.3%)
No point	60 (9.8%)			

▶ Object :613 pharmacies (As of July 2016)

■ Progress of GE drugs use



▶ Before January 2016 : GE dugs share(volume) is calculated by old standards before revisions

▶ Average premiums : Price per reception of prescriptions

▶ Object :630 pharmacies (As of July 2016)

We opened 15 stores including M&A in FY4/17 1Q. We forecast the number of new store openings will be 126 in the end of FY4/17.

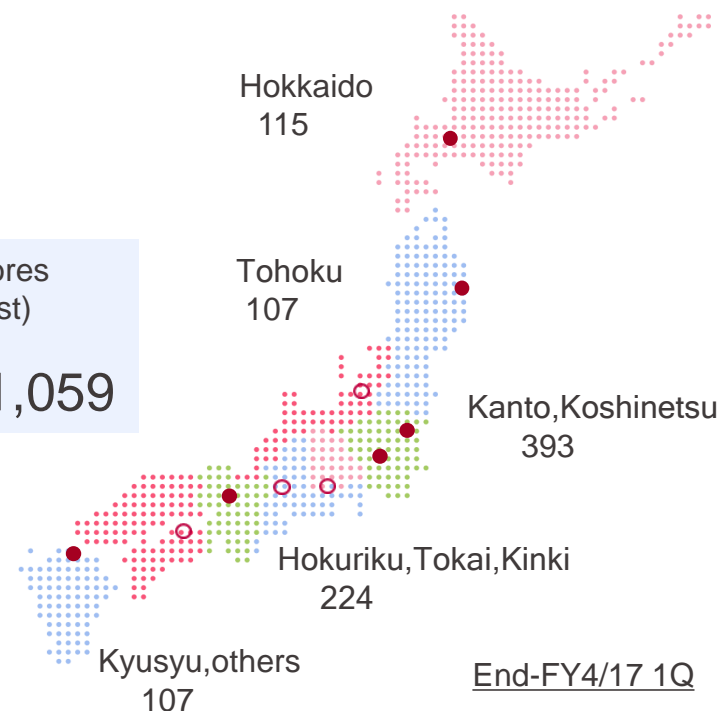
■ Number of stores

946 (Dispensing pharmacy:894 Drug and cosmetic store:52)

■ Plan

		FY4/17 1Q		FY4/17
		Plan	Results	Plan
Dispensing pharmacy	Near hospital	3	4	42
	mall	2	2	5
	M&A	4	8	73
Drug and Cosmetic store		1	1	6
Total		10	15	126

No. of stores (Forecast)
End-FY4/17 **1,059**



- ▶ Total number of stores includes the 2 franchise stores
- ▶ 74 properties secured

■ Transition of dispensing pharmacies

	FY4/07	FY4/08	FY4/09	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17 1Q
Organic	14	23	24	21	18	27	38	36	40	32	6
M&A	18	91	3	3	35	28	38	26	119	110	8
EV/EBITDA ratio	7.54	4.82	2.21	3.45	5.60	5.51	5.09	3.94	4.77	5.37	4.60
Close	3	5	8	2	5	9	10	6	21	15	1
No. of total stores	247	356	375	397	448	494	560	616	754	881	894

▶ EV/EBITDA ratio=EV (Purchase price)/EBITDA (Operating income + Depreciation and amortization)

▶ No. of stores include temporary closed stores from FY4/11

We forecast net sales increase 11.9% year on year by contribution of the previous year's 120 new store openings including M&A. Meanwhile, we forecast segment income increase 4.1% year on year by the measure of productivity improvement continuously.

(¥ million)	FY4/16 results	FY4/17 plan	YoY change	YoY change(%)
Net sales	211,009	236,100	+25,091	+11.9
Gross profit	30,268	32,480	+2,212	+7.3
% of net sales	14.3	13.8		
SG&A expenses	11,629	12,780	+1,151	+9.9
% of net sales	5.5	5.4		
Operating income	18,639	19,700	+1,061	+5.7
% of net sales	8.8	8.3		
Segment income	19,219	20,000	+781	+4.1
% of net sales	9.1	8.5		

- ▶ Figures in the table are rounded down
- ▶ Prescription volume:+11.9% YoY
- ▶ Average prescription price: (1.1%)YoY

Analysis

■ Net sales

(¥ million)	FY4/17 plan	YoY change (%)
Same store(730)	191,745	(1.0)
Stores opened in the previous year(141)	28,892	+131.1
New store(120)	9,460	-

▶ Others : 10 stores (FC:2stores, temporary closed: 8 stores)

■ Segment income

(Decrease of gross profit margin)

We will actively take measures to respond dispensing fee revisions, but forecast that gross profit margin will be (0.5) points to 13.8%.

(Reduction of SG&A expenses)

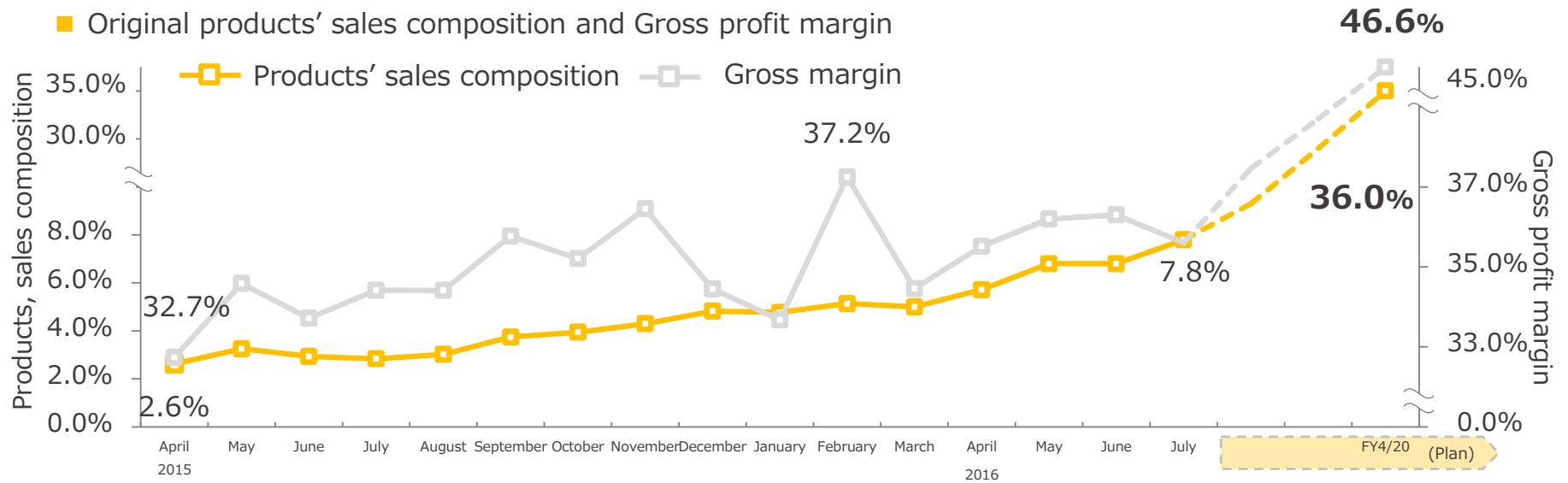
We forecast (0.1) points to 5.4% by reduction of home office costs.



Transition of original products' sales composition

By development and sales of our original product, sales composition ratio and gross profit margin are going up. We forecast sales composition ratio will be 36.0% and gross profit margin will be 46.6% in FY 4/20.

■ Original products' sales composition and Gross profit margin



▶ Gross profit margin : *Ainz & Tulpe* 42stores

Products	PLACENTA & VITAMIN C	LIPS and HIPS	cocodecica
Brand name	VP	LIPS and HIPS	cocodecica
On-sale date	November 2013	July 2015	July 2015
SKU	22	104	1,490

▶ SKU : As of the end of July 2016



FY4/17 Plan (Drug and Cosmetic Store Business)



We forecast net sales of ¥22,500 million, up 7.7% year on year by 6 new store openings. We plan gross profit margin improve 2.5%, but segment income will be ¥(224) million due to the increase of SG&A expenses by development cost of original product.

(¥ million)	FY4/16 results	FY4/17 plan	YoY change	YoY change(%)
Net sales	20,884	22,500	+1,616	+7.7
Gross profit % of net sales	7,236 34.6	8,350 37.1	+1,114	+15.4
SG&A expenses % of net sales	7,931 38.0	8,700 38.7	+769	+9.7
Operating income % of net sales	▲694 -	▲350 -	+344	-
Segment income % of net sales	▲459 -	▲224 -	+235	-

Analysis

■ Net sales

(¥ million)	FY4/17 plan	YoY change (%)
Same store (47)	17,700	+2.0
Stores opened in the previous year (5)	3,530	+65.7
New store (6)	1,270	-

■ Segment income (Improvement of gross profit margin)

We will improve gross profit margin +2.5 points to 37.1% by development of original products.

▶ Figures in the table are rounded down

Supplementary Information



Representative	Kiichi Otani, President and Representative Director
Established	August 1969
Market capitalization	¥169,318 million
Net sales and operating income	Net sales: ¥234,843 million Operating income: ¥14,619 million
Number of employees	8,555 (including pharmacists: 3,899)
Number of stores	933 (881 dispensing pharmacies, 52 drug and cosmetic stores) ▶ As of April 30, 2016

Dispensing Pharmacy

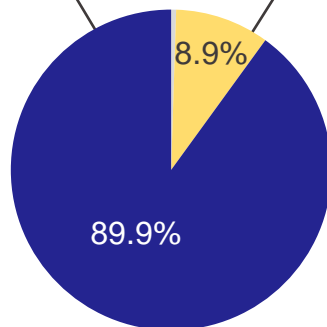


Business description

Dispensing pharmacy
Generic drug wholesales
Pharmacy staffing services
Consulting services

Main company

AIN MEDIO Inc.
DAICHIKU Co., Ltd.
Asahi Pharmacy Co., Ltd.
MEDIO PHARMACY Inc.
NP HOLDINGS Co., Ltd.
WHOLESALE STARS Co., Ltd
MEDIWEL Corp.
Medical Development Co., Ltd. etc



FY4/16
Consolidated net sales
¥234,843 million

Drug and Cosmetic Store



Business description

Operation of drug and cosmetic stores
Manufacturing and selling cosmetics and makeup tools

Main store

AINZ **TULPE**
DRUG AND COSMETIC

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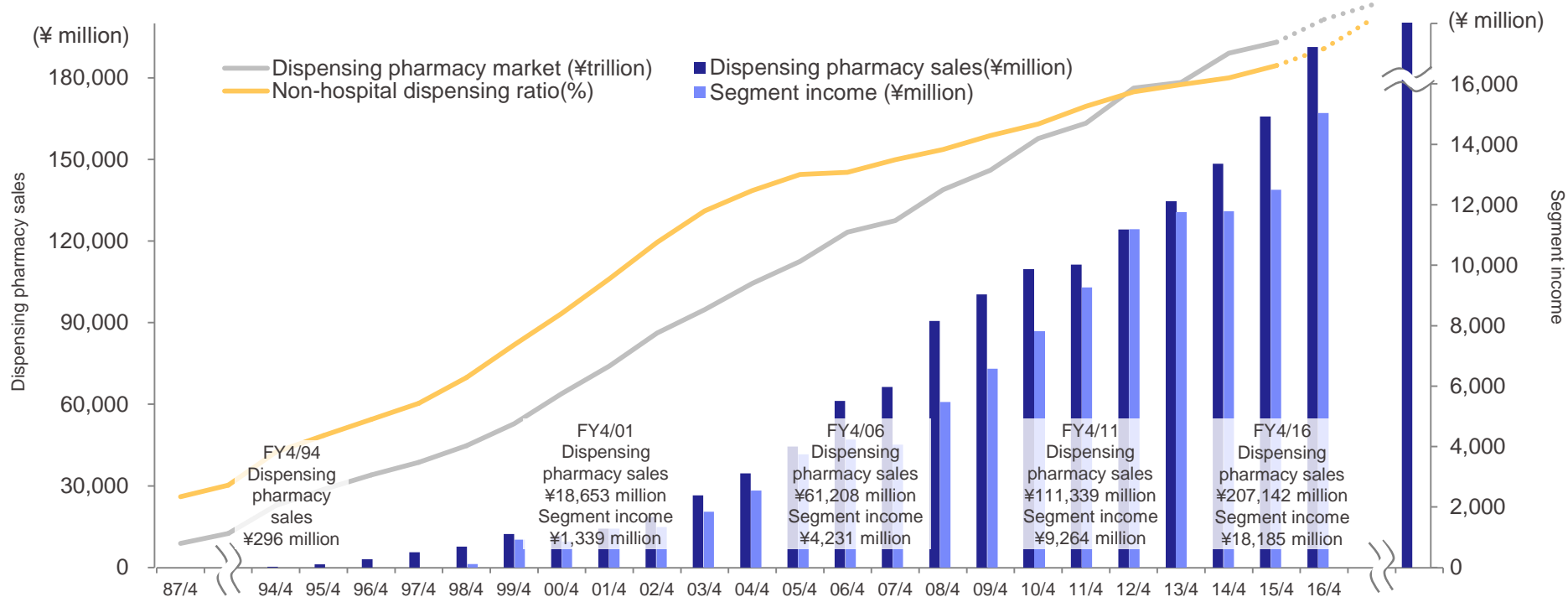
Main brand

AYURA

LIPS and HIPS

cocodecica

Year	1986	1993	1995	2000	2005	2010	2014	20XX
Non-hospital dispensing ratio	9.7%	15.8%	20.3%	39.5%	54.1%	63.1%	68.7%	85%
Market	¥0.33 trillion	¥0.87 trillion	¥1.23 trillion	¥2.76 trillion	¥4.59 trillion	¥6.08 trillion	¥7.19 trillion	¥8 trillion

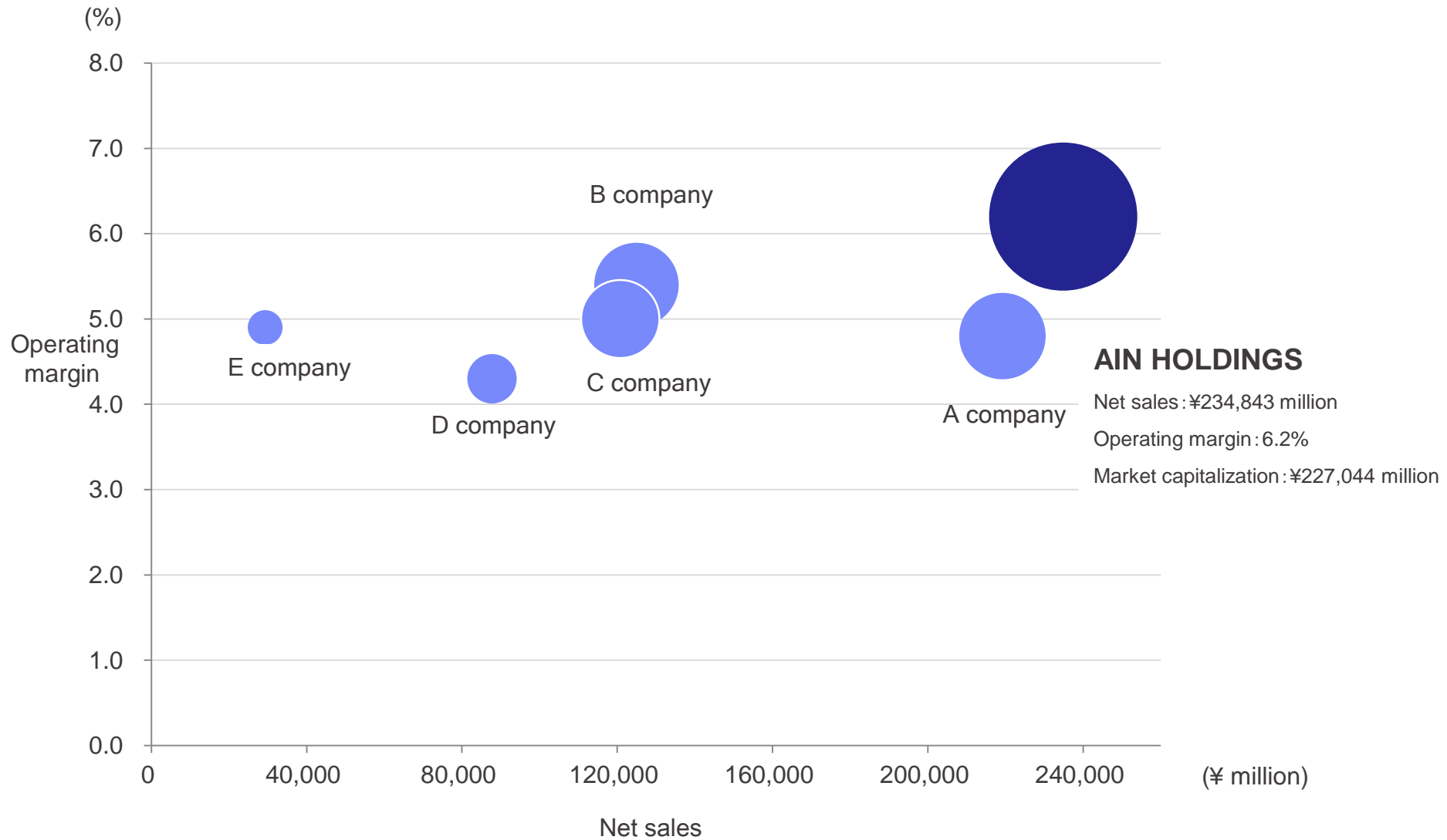


No. of pharmacies	2	13	29	34	39	48	58	75	92	148	148	193	218	247	356	375	397	448	494	560	616	754	881
M&A (No. of pharmacies)										1 (56)		2 (40)	2 (30)	2 (35)	2 (91)		6 (33)	9 (21)	11 (28)	13 (22)	15 (119)	23 (110)	

▶ Non-hospital dispensing ratio: Excerpted by the data of Japan Pharmaceutical Association

▶ Dispensing pharmacy market: Excerpted by the date of Ministry of Health, Labour and Welfare

Comparison to other companies



- ▶ Based on each company's summary of financial statement for FY 3/16 (Our company: FY4/16)
- ▶ Size of circle is proportional to market capitalization at the end of May 2016

Inquiries related to this presentation should be addressed to

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