

FY4/18 3Q
IR PRESENTATION

AIN HOLDINGS INC.
March 2018

3Q Results Overview



Consolidated P/L

Net sales increased 9.9% year on year and 0.3% against the plan due to business growth in same stores and stores that were opened in previous year. Ordinary income increased 47.3% year on year and 7.0% against the plan due to the increase of net sales and the decrease of costs by improving operations.

(¥ million)	FY4/17 3Q results	FY4/18 3Q revised plan	FY4/18 3Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	182,100	199,518	200,043	+17,943	+9.9	+0.3
Gross profit	30,092	37,721	35,193	+5,101	+17.0	+1.4
% of net sales	16.5	17.4	17.6			
SG&A expenses	20,501	21,335	20,883	+382	+1.9	(2.1)
% of net sales	11.3	10.7	10.4			
Operating income	9,591	13,386	14,310	+4,719	+49.2	+6.9
% of net sales	5.3	6.7	7.2			
Ordinary income	10,019	13,788	14,760	+4,741	+47.3	+7.0
% of net sales	5.5	6.9	7.4			
Profit attributable to owners of parent	5,438	6,986	7,931	+2,493	+45.8	+13.5
% of net sales	3.0	3.5	4.0			
Earnings per share(¥)	171.53	207.66	235.74	+64.21	+37.4	+13.5

▶ Figures in the table are rounded down



Dispensing Pharmacy Business (Consolidated)

Net sales increased 9.6% year on year and 0.4% against the plan due to the increase of prescription volume and average prescription price in same stores and stores that were opened in the previous year. Segment income increased 22.9% year on year and 4.3% against the plan due to the increase of net sales and the decrease of costs by improving operations.

(¥ million)	FY4/17 3Q results	FY4/18 3Q revised plan	FY4/18 3Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	162,599	177,483	178,136	+15,537	+9.6	+0.4
Gross profit	22,657	25,740	26,273	+3,616	+16.0	+2.1
% of net sales	13.9	14.5	14.7			
SG&A expenses	10,022	10,842	10,747	+725	+7.2	(0.9)
% of net sales	6.2	6.1	6.0			
Operating income	12,635	14,898	15,525	+2,890	+22.9	+4.2
% of net sales	7.8	8.4	8.7			
Segment income	13,029	15,347	16,013	+2,984	+22.9	+4.3
% of net sales	8.0	8.6	9.0			
Number of pharmacies	1,069	1,043	1,041	(28)	(2.6)	(0.2)

▶ Figures in the table are rounded down

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

▶ Prescription volume: +10.4% YoY ▶ Average prescription price: (0.6)% YoY



Drug and Cosmetic Store Business (Consolidated)

Net sales increased 11.8% year on year and 0.0% against the plan due to contribution of stores that are opened in the previous year and improvement of ability to attract customers in same stores. Segment income increasing ¥ 1,003million year on year to ¥425 million due to improvement of gross margin by active development of original brand and by an overhaul of procurement activities and due to the decrease of costs by raising operating efficiency.

(¥ million)	FY4/17 3Q results	FY4/18 3Q revised plan	FY4/18 3Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	15,907	17,772	17,779	+1,872	+11.8	+0.0
Gross profit	5,764	6,600	6,647	+883	+15.3	+0.7
% of net sales	36.2	37.1	37.4			
SG&A expenses	6,396	6,361	6,257	(139)	(2.2)	(1.6)
% of net sales	40.2	35.8	35.2			
Operating income	(631)	238	390	+1,021	-	+63.9
% of net sales	-	1.3	2.2			
Segment income	(578)	266	425	+1,003	-	+59.8
% of net sales	-	1.5	2.4			
Number of stores	52	49	48	(4)	(7.7)	(2.0)

▶ Figures in the table are rounded down

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

▶ Number of customers: +4.9% YoY

▶ Average spending per customer: +6.6% YoY



Consolidated B/S

Net cash increased by ¥35,772 million to ¥38,143 million and shareholders' equity ratio became 51.7% by fund-raising through a public offering and private placements.

(¥ million)

End-FY4/17			
Assets		Liabilities	
Current assets	65,420	Current liabilities	72,955
Cash on hand and in banks	29,775	Short-term debt	7,596
		Lease obligations	594
Fixed assets	90,902	Long-term liabilities	23,188
Investments in securities	2,435	Long-term debt	18,254
		Lease obligations	958
Deferred assets	-	Total net assets	60,178
Total assets	156,323	Total liabilities and net assets	156,323

(¥ million)

End-FY4/18 3Q			
Assets		Liabilities	
Current assets	94,370	Current liabilities	70,158
Cash on hand and in banks	60,572	Short-term debt	8,207
		Lease obligations	475
Fixed assets	87,759	Long-term liabilities	17,827
Investments in securities	2,389	Long-term debt	13,012
		Lease obligations	734
Deferred assets	114	Total net assets	94,257
Total assets	182,243	Total liabilities and net assets	182,243

Net cash	2,371
Shareholders' equity ratio(%)	38.4

Net cash	38,143
Shareholders' equity ratio(%)	51.7

▶ 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)



Assets

The balance of total assets increased ¥25,920 million from the end of the previous fiscal year due to fund-raising through a public offering and private placements.

(¥ million)	End-FY4/17 3Q	End-FY4/17	End-FY4/18 3Q	Change
Cash on hand and in banks	26,292	29,775	60,572	+30,797
Notes and accounts receivable	9,178	9,990	10,269	+279
Inventories	13,292	11,668	12,482	+814
Total current assets	61,156	65,420	94,370	+28,950
Buildings and structures, net	15,515	15,365	15,228	(137)
Land	10,021	9,958	10,150	+192
Lease assets	1,256	1,166	941	(225)
Total property, plant and equipment	28,908	28,464	28,253	(211)
Goodwill	41,714	40,939	38,476	(2,463)
Lease assets	12	8	12	+4
Total intangible fixed assets	44,004	43,109	40,489	(2,620)
Investments in securities	2,725	2,435	2,389	(46)
Deferred tax assets	2,206	2,167	2,041	(126)
Deposits and guarantees	10,515	10,443	10,740	+297
Total investments and other assets	20,155	19,329	19,016	(313)
Total fixed assets	93,068	90,902	87,759	(3,143)
Total assets	154,224	156,323	182,243	+25,920

Fund-raising

▶ Figures in the table are rounded down ▶ Change: End-FY4/18 3Q compared with End-FY4/17

▶ Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥3,150 million



Liabilities and Net Assets

The balance of liabilities decreased ¥8,159 million from the end of the previous fiscal year due to the repayment of debts etc.

(¥ million)	End-FY4/17 3Q	End-FY4/17	End-FY4/18 3Q	Change
Accounts payable	41,032	39,325	41,351	+2,026
Short-term debt	9,313	7,596	8,207	+611
Lease obligations	621	594	475	(119)
Total current liabilities	69,257	72,955	70,158	(2,797)
Long-term debt	22,249	18,254	13,012	(5,242)
Lease obligations	1,036	958	734	(224)
Total long-term liabilities	27,334	23,188	17,827	(5,361)
Total liabilities	96,591	96,144	87,985	(8,159)
Common stock	8,682	8,682	21,894	+13,212
Capital surplus	6,367	6,367	20,500	+14,133
Retained earnings	42,776	45,286	51,632	+6,346
Total shareholders' equity	57,407	59,918	94,026	+34,108
Total net assets	57,632	60,178	94,257	+34,079
Total liabilities and net assets	154,224	156,323	182,243	+25,920

▶ Figures in the table are rounded down

▶ Change : End-FY4/18 3Q compared with End-FY4/17



FY4/18 Plan (Consolidated)

Net sales increase 7.8% year on year due to the both dispensing pharmacy business and drug and cosmetic store business have strong results in FY4/18 even though the close of unprofitable stores in preparation for the revision of this April. We also decided to revise up our forecasts that ordinary income increase 22.7% because same stores in drug and cosmetic store business are shifting well and operating efficiency is improving.

(¥ million)	FY4/16 results	FY4/17 results	FY4/18 revised plan	YoY change	YoY change (%)
Net sales	234,843	248,110	267,500	+19,390	+7.8
Gross profit	38,535	42,092	47,400	+5,308	+12.6
% of net sales	16.4	17.0	17.7		
SG&A expenses	23,915	27,529	29,400	+1,871	+6.8
% of net sales	10.2	11.1	11.0		
Operating income	14,619	14,563	18,000	+3,437	+23.6
% of net sales	6.2	5.9	6.7		
Ordinary income	15,158	15,080	18,500	+3,420	+22.7
% of net sales	6.5	6.1	6.9		
Profit attributable to owners of parent	7,917	7,949	9,200	+1,251	+15.7
% of net sales	3.4	3.2	3.4		
Earnings per share(¥)	249.69	250.71	269.96	+19.25	+7.7
Annual dividend (¥)	40.00	50.00	50.00	(0.00)	(0.0)

▶ Figures in the table are rounded down ▶ YoY change, YoY change(%) :FY4/18 revised plan compared with FY4/17 results

▶ Earnings per share is calculated including new shares issued through a public offering (2,820,000) a private placement (270,000) and a private placement for a secondary offering using an over-allotment option (450,000).

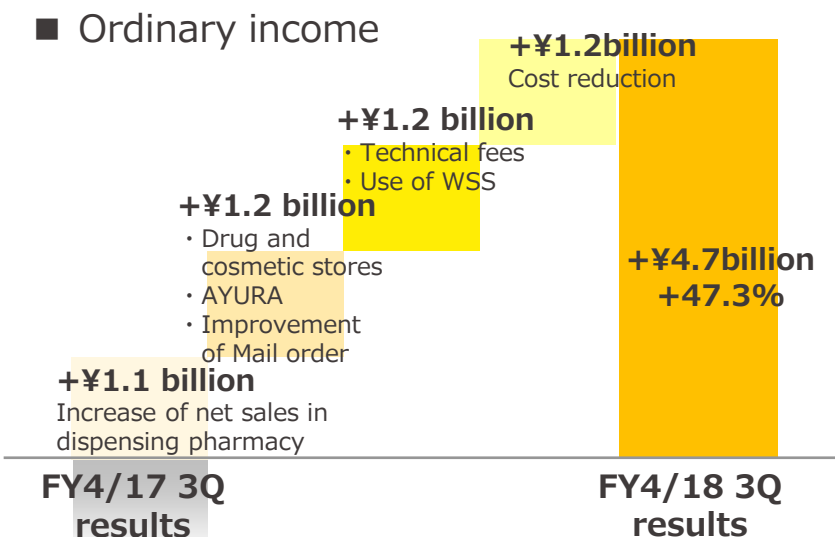
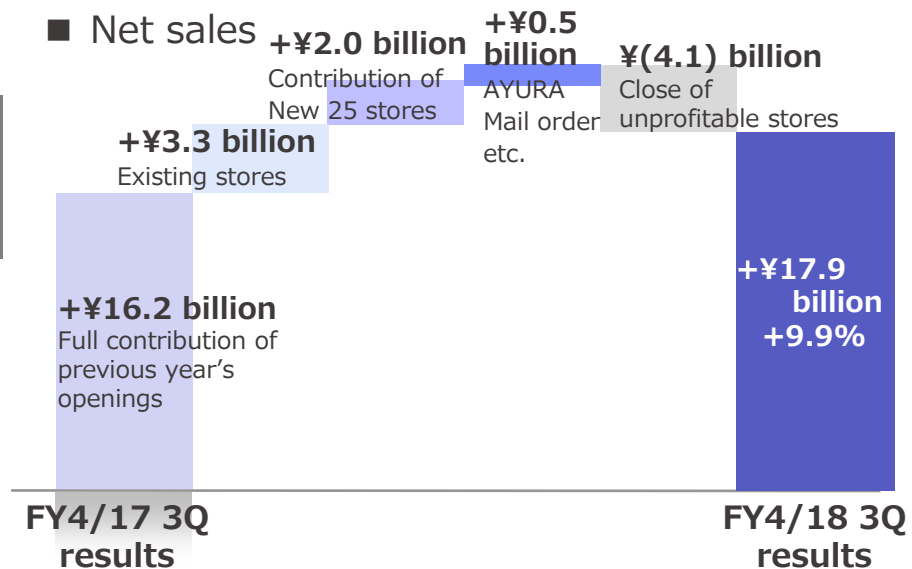
3QReview



Review① (Vs FY4/17 3Q Results)

(¥ million)	FY4/17 3Q results	FY4/18 3Q results	YoY change	YoY change (%)
Net sales	182,100	200,043	+17,943	+9.9
Gross profit % of net sales	30,092 16.5	35,193 17.6	+5,101	+17.0
SG&A expenses % of net sales	20,501 11.3	20,883 10.4	+382	+1.9
Operating income % of net sales	9,591 5.3	14,310 7.2	+4,719	+49.2
Ordinary income % of net sales	10,019 5.5	14,760 7.4	+4,741	+47.3

▶ Figures in the table are rounded down

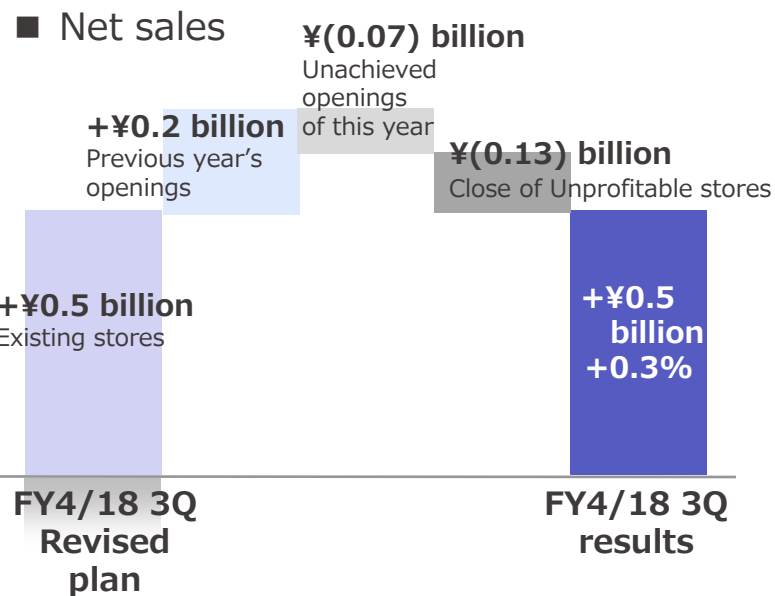




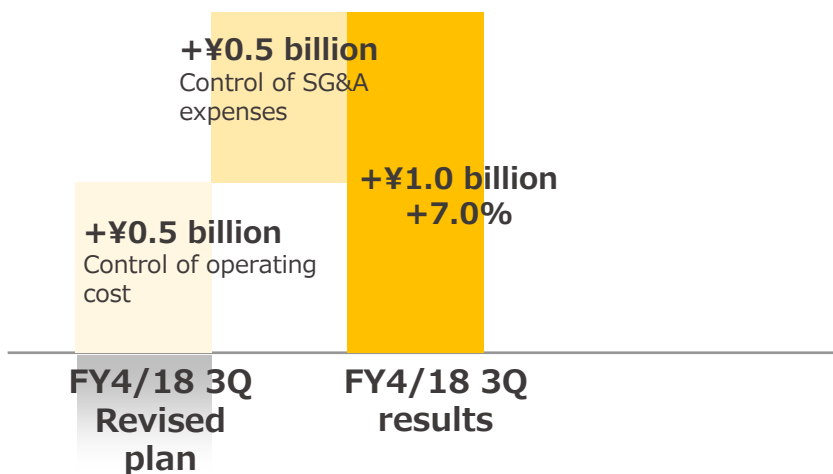
Review② (Vs Plan)

(¥ million)	FY4/18 3Q revised plan	FY4/18 3Q results	Vs plan	Vs plan (%)
Net sales	199,518	200,043	+525	+0.3
Gross profit % of net sales	34,721 17.4	35,193 17.6	+472	+1.4
SG&A expenses % of net sales	21,335 10.7	20,883 10.4	(452)	(2.1)
Operating income % of net sales	13,386 6.7	14,310 7.2	+924	+6.9
Ordinary income % of net sales	13,788 6.9	14,760 7.4	+972	+7.0

▶ Figures in the table are rounded down



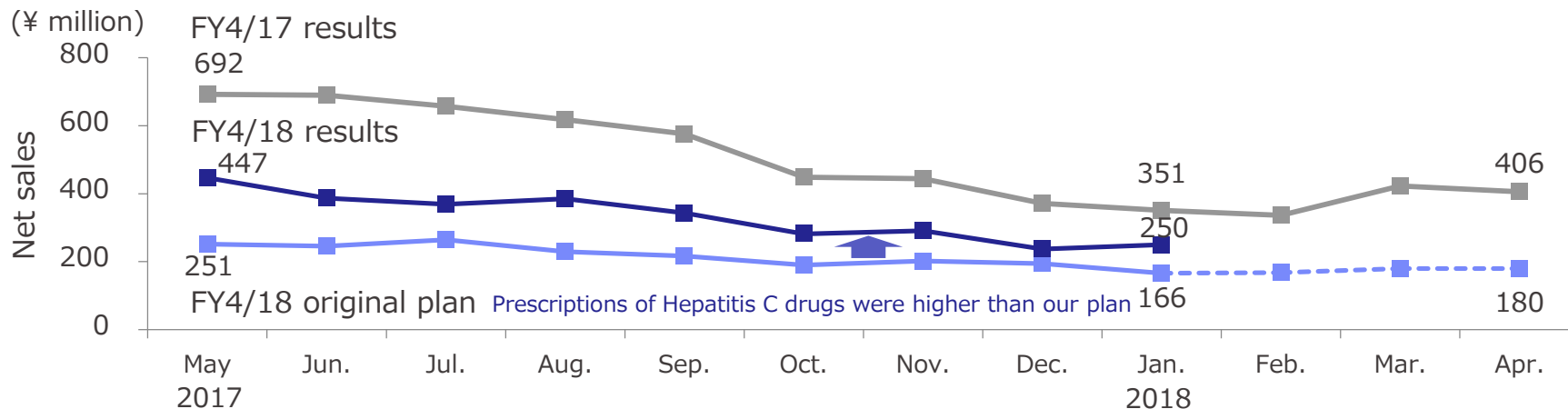
■ Ordinary income





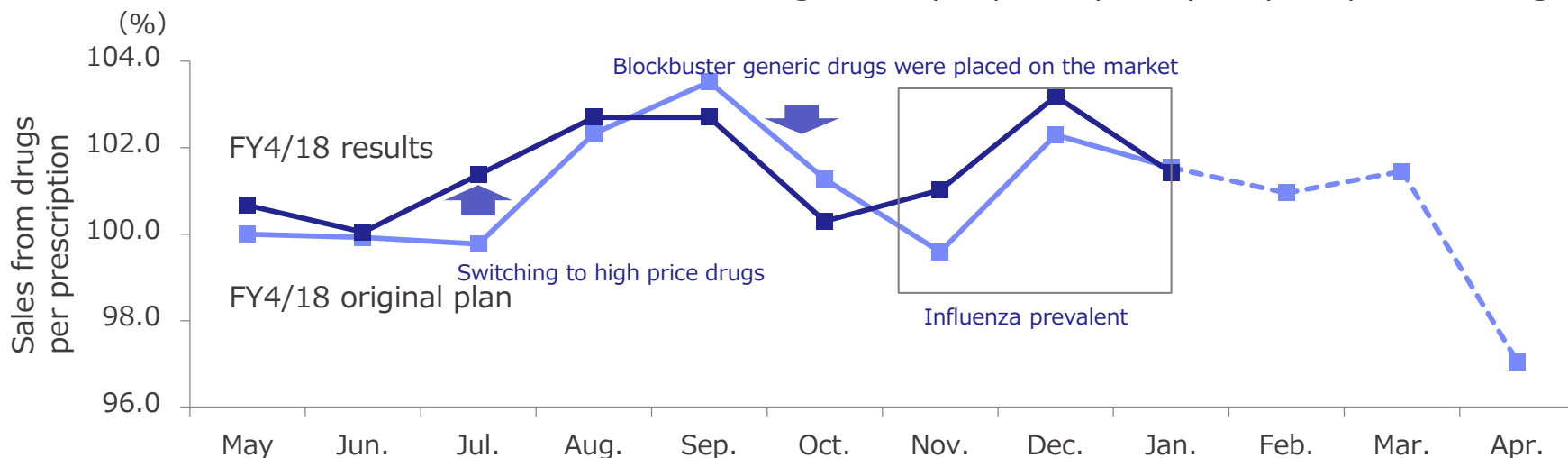
Transition of Sales from Drugs per Prescription

■ Transition of Hepatitis C drugs' sales



▶ Aggregated the data from main 5 companies

■ Transition of increase-decrease rate of other drugs' sales per prescription (Except Hepatitis C drugs)



▶ Aggregated the data from main 5 companies ▶ Considered the original plan of May 2017 as 100%



Response to Dispensing Fee Revisions of 2016①

Comparison of 578 pharmacies of 4 main existing companies

(¥)

		Contents of revisions	Points	March 2016	April 2016	Change	April 2017	Change	January 2018	Change
Basic dispensing fee	1	Except following	41							
	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	382.6	313.3	(69.3)	337.3	(45.3)	345.7	(36.9)
	3	Same group over 40,000 times / month and over 95% or Lease contract with medical institution	20							
Standards for dispensing system premiums		Basic dispensing fee 41points & Inventory 1,200 items & Home healthcare services (1 case / year) & Notification of primary care pharmacists & Supervising pharmacists having operational experience for at least 5 years and enrollment for at least 1 year	32	146.6	118.5	(28.1)	174.8	+28.2	192.3	+45.7
Premiums for generic drug dispensing systems		65-75%	18	191.3	147.3	(44.0)	184.1	(7.2)	193.4	+2.1
		Over 75%	22							
Drug use history management and guidance fee		Basic dispensing fee 41 points & Patients' handing over medication notebook & Patients' visiting within 6 months	38	382.5	434.8	+52.3	441.1	+58.6	445.9	+63.4
		Except the above	50							
		Primary care pharmacists instruction fee	70							
Premiums for specific drug management instruction		Specific drug management instruction	10	9.7	25.6	+15.9	25.2	+15.5	24.2	+14.5
					(73.2)		+49.8		+88.8	

▶ Items and requirements mentioned above are a part of revisions of 2016

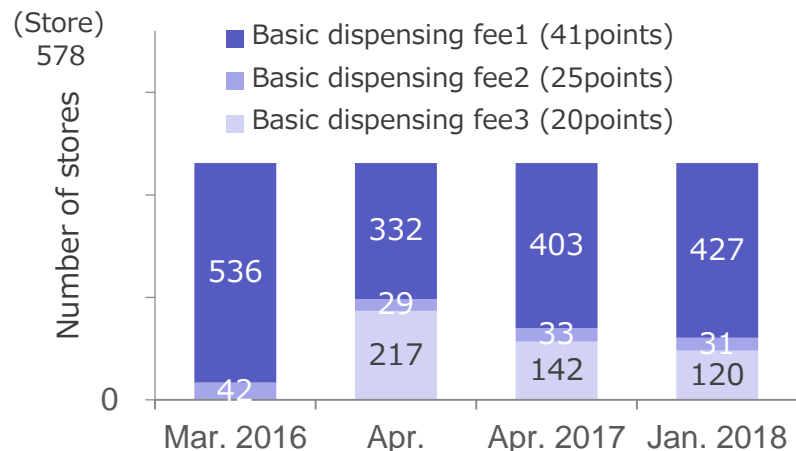
▶ Average prescription price per a reception ▶ Change: Compared to March 2016



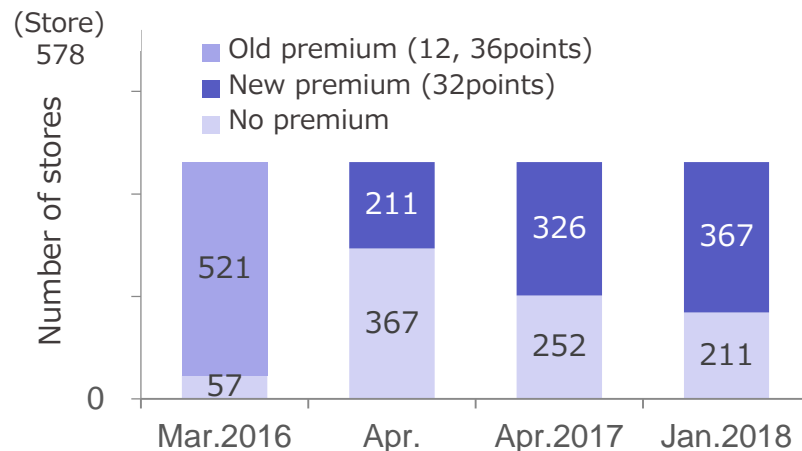
Response to Dispensing Fee Revisions of 2016 ②

Comparison of 578 pharmacies of 4 main existing companies

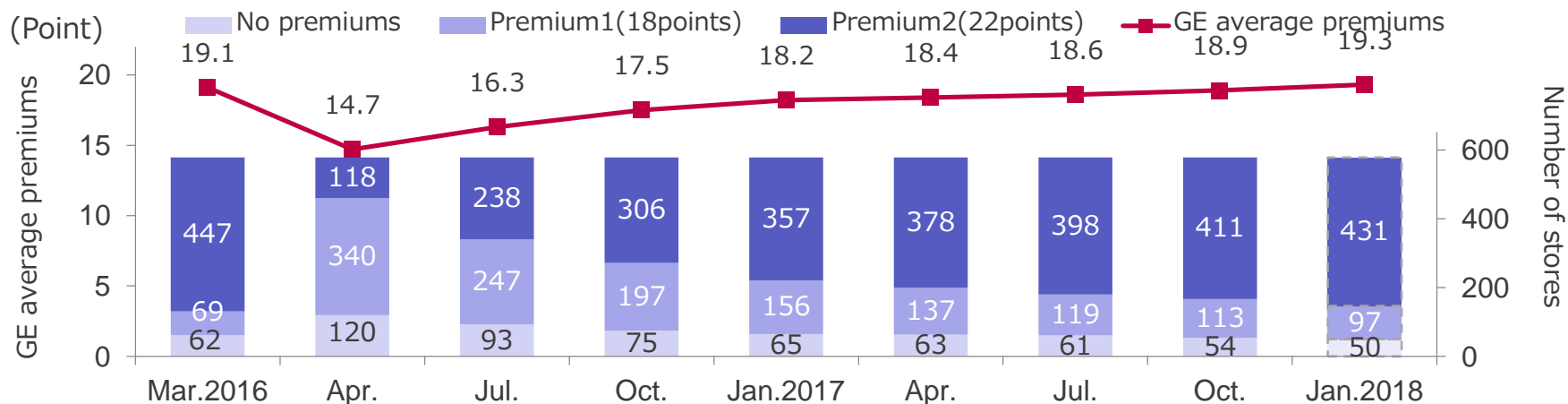
■ Ratio of pharmacies that receive basic dispensing fees



■ Ratio of pharmacies that receive standards for dispensing system premiums



■ Progress of generic drugs



▶ Mar. 2016 : Calculated by old standards of revisions of 2014
 ▶ GE drug share (volume) : 76.9% (As of Jan 2018)

▶ GE average premiums : Average points per reception
 ▶ Object : 578 pharmacies of main 4 companies



Top-Line

We opened 27 stores including M&As and closed 56 stores in FY4/18 3Q. We forecast 76 new stores opening by active new store openings and promotion of M&A and 67 store closings in full year.

■ Total number of stores

1,089 (Dispensing pharmacy:1,041 Drug and cosmetic store:48)

■ Plan

		FY4/18 3Q		FY4/18
		Revised plan	Results	Revised plan
Dispensing pharmacy	Organic	20	20	29
	M&A	5	5	43
Drug and cosmetic store		2	2	4
Total		27	27	76
Close	Dispensing pharmacy	48	50	60
	Drug and cosmetic store	5	6	7
Total of closed stores		53	56	67



▶ 52 properties are secured

■ Transition of dispensing pharmacies

	FY4/09	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18 3Q
Organic	24	21	18	27	38	36	40	32	27	20
M&A	3	3	35	28	38	26	119	110	182	5
EV/EBITDA ratio	2.21	3.45	5.60	5.51	5.09	3.94	4.77	5.37	5.50	3.88
Close	8	2	5	9	10	6	21	15	24	50
No. of total stores	375	397	448	494	560	616	754	881	1,066	1,041

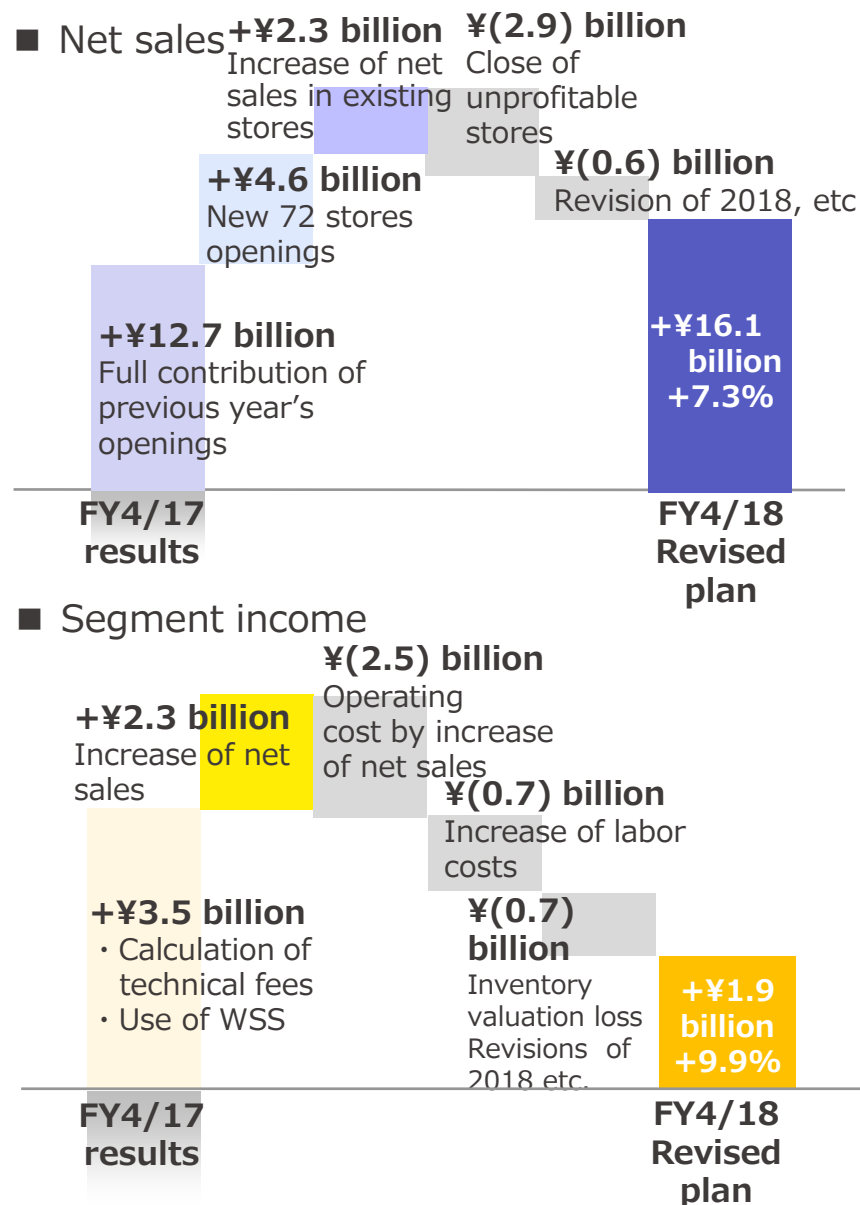
▶ EV/EBITDA ratio=EV(Purchase price)/EBITDA(Operating income + Depreciation and amortization) ▶ No. of stores include temporary closed stores from FY4/11



FY4/18 Plan (Dispensing Pharmacy Business)

(¥ million)	FY4/17 results	FY4/18 Revised plan	YoY change	YoY change (%)
Net sales	221,801	237,900	+16,099	+7.3
Gross profit % of net sales	32,090 14.5	35,260 14.8	+3,170	+9.9
SG&A expenses % of net sales	13,432 6.1	14,860 6.2	+1,428	+10.6
Operating income % of net sales	18,658 8.4	20,400 8.6	+1,742	+9.3
Segment income % of net sales	19,110 8.6	21,000 8.8	+1,890	+9.9

▶ Figures in the table are rounded down





Expansion of AINZ & TULPE

Stores that passed over 2 years got a lot of visibility and same stores has been shifting well by store renovations and measurement of sales promotion. Also, earning power has been improved by the review of procurement activities, operating efficiency and promotion expenses.

■ Results

(¥ million)	FY4/18 3Q	YoY change(%)	Vs revised plan(%)
Net sales	17,779	+11.8	+0.0
Same store	15,186	+7.2	+0.1
Store openings in the previous year and others	2,593	+49.2	(0.3)
Segment income	425	-	+59.5
Same store	833	+482.6%	+14.5
Store openings in the previous year	(66)	-	-
Others	(342)	-	-

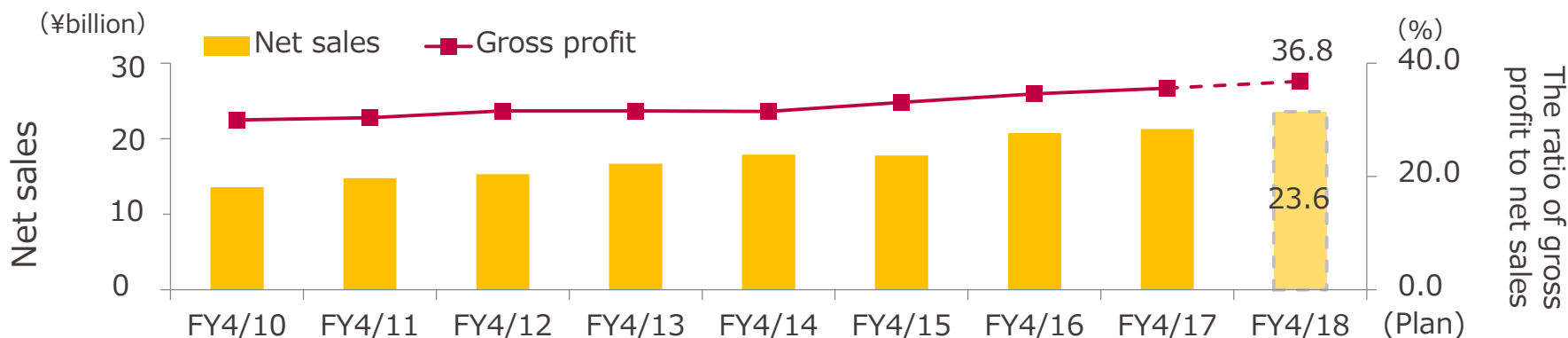
Net sales

- Effect of store renovation in same stores
- Acquisition of inbound demands
- Acquisition of new customers by sales promotion activities

Segment income

- Improvement of gross profit by expansion of original brand and an overhaul of procurement activities.
- Increase of operating efficiency and improvement of customer services
- Review of expenses such as store opening cost and sales promotion expenses, etc

■ Transition of net sales and the ratio of gross profit to net sales



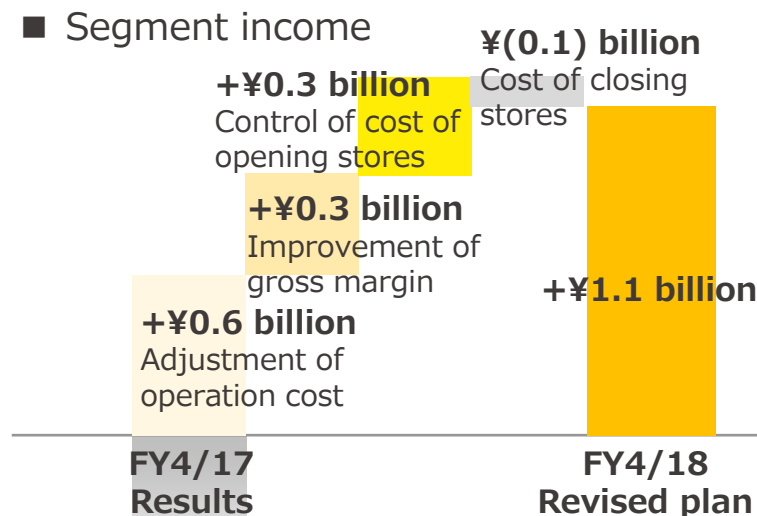
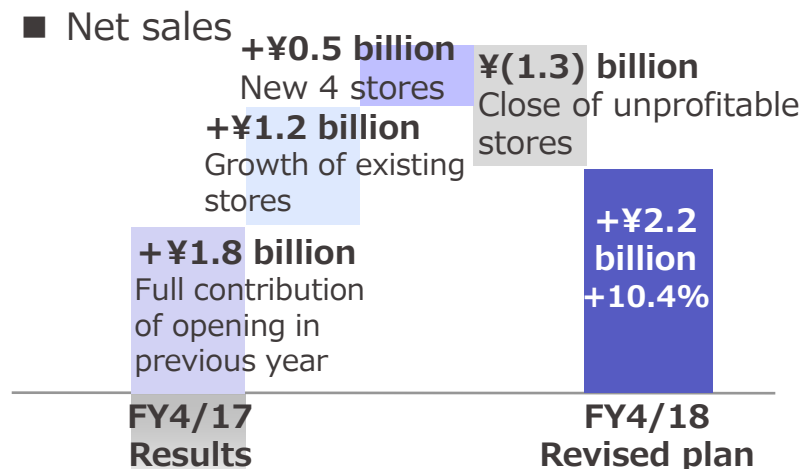
Net sales (¥billion)	13.6	14.8	15.3	16.7	17.9	17.8	20.8	21.3	23.6
No. of stores	49	53	56	61	59	56	52	52	49



FY4/18 Plan (Drug and Cosmetic Store Business)

(¥ million)	FY4/17 Results	FY4/18 Revised plan	YoY change	YoY change (%)
Net sales	21,383	23,600	2,217	+10.4
Gross profit % of net sales	7,623 35.6	8,680 36.8	1,057	+13.9
SG&A expenses % of net sales	8,583 40.1	8,430 35.7	(153)	(1.8)
Operating income % of net sales	(959) -	250 1.1	1,209	-
Segment income % of net sales	(866) -	280 1.2	1,146	-

▶ Figures in the table are rounded down





FY4/18 Plan (Consolidated)

Net sales increase 7.8% year on year due to the both dispensing pharmacy business and drug and cosmetic store business have strong results in FY4/18 even though the close of unprofitable stores in preparation for the revision of this April. We also decided to revise up our forecasts that ordinary income increase 22.7% because same stores in drug and cosmetic store business are shifting well and operating efficiency is improving.

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% of net sales	16.4	17.0	17.7		
SG&A expenses	23,915	27,529	29,400	+1,871	+6.8
% of net sales	10.2	11.1	11.0		
Operating income	14,619	14,563	18,000	+3,437	+23.6
% of net sales	6.2	5.9	6.7		
Ordinary income	15,158	15,080	18,500	+3,420	+22.7
% of net sales	6.5	6.1	6.9		
Profit attributable to owners of parent	7,917	7,949	9,200	+1,251	+15.7
% of net sales	3.4	3.2	3.4		
Earnings per share(¥)	249.69	250.71	269.96	+19.25	+7.7
Annual dividend (¥)	40.00	50.00	50.00	(0.00)	(0.0)

▶ Figures in the table are rounded down ▶ YoY change, YoY change(%) :FY4/18 revised plan compared with FY4/17 results

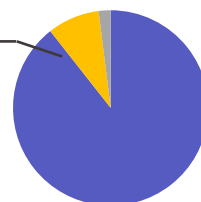
▶ Earnings per share is calculated including new shares issued through a public offering (2,820,000) a private placement (270,000) and a private placement for a secondary offering using an over-allotment option (450,000).

Supplementary Information



Company Profile

Trade name	AIN HOLDINGS INC
Representative	Kiichi Otani, President and Representative Director
Established	August 1969
Market capitalization	¥244,782 million <u>As of April 30, 2017</u>
Net sales and operating income	Net sales: ¥248,110 million Operating income: ¥14,563 million <u>As of April 30, 2017</u>
Sales composition	Dispensing Pharmacy : ¥221,801 million, Drug and Cosmetic Store : ¥21,383 million, Others : ¥4,925 million <u>As of April 30, 2017</u>
Number of employees	9,774 (including pharmacists : 4,518) <u>As of April 30, 2017</u>
Group companies	《Dispensing pharmacy》 AIN PHARMACIEZ Inc. and other 78 companies. 《Staffing services》 《Consulting services》 MEDIWEL Corp., Medical Development Co., Ltd. etc 《Generic drug wholesales》 WHOLESale STARS Co., Ltd <u>As of April 30, 2017</u>
Number of stores	1,118 (1,066 dispensing pharmacies, 52 drug and cosmetic stores) <u>As of April 30, 2017</u>

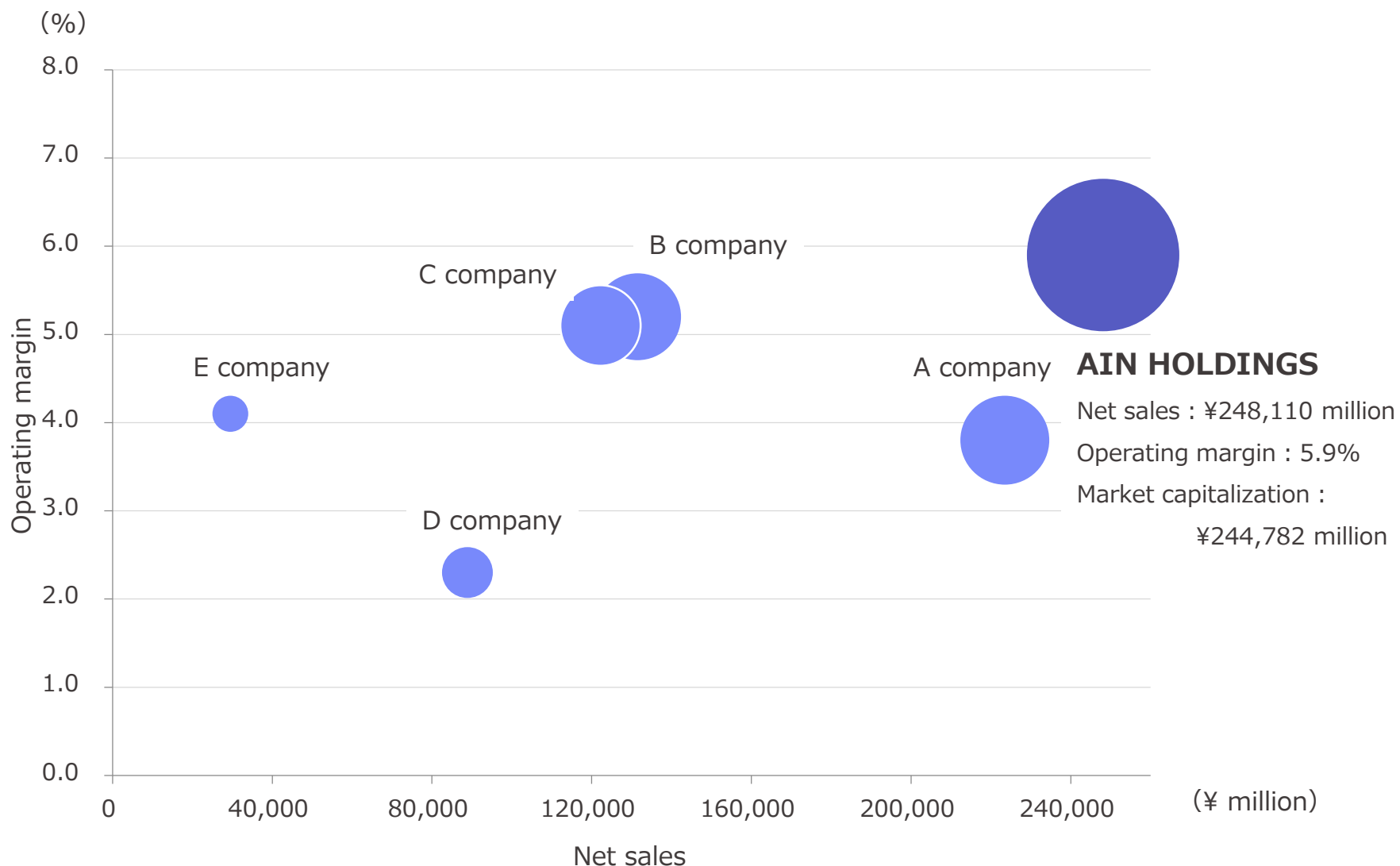


FY4/17 Consolidated net sales
¥248,110 million





Comparison to Other Companies



- ▶ Based on each company's summary of financial statement for FY 3/17 (Our company: FY4/17)
- ▶ Size of circle is proportional to market capitalization on April 30, 2017



Inquiries related to this presentation should be addressed to

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AIN GROUP