



AIN GROUP

# FY4/13 Results Briefing

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AIN PHARMACIEZ INC.

June 5,2013

# Results Overview

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# Consolidated P/L

The Group reported net sales of ¥154,560 million, an increase of 8.2% year on year due to the opening of 83 stores including M&A. However, ordinary income declined 2.4% to ¥10,292 million, mainly reflecting the impact of upfront investment in the medical mall development business.

(¥ million)	FY4/12 results	FY4/13 plan	FY4/13 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	142,790	157,500	154,560	11,770	108.2	98.1
Gross profit % of net sales	23,093 16.2	25,890 16.4	24,442 15.8	1,349	105.8	94.4
SG&A expenses % of net sales	12,839 9.0	14,380 9.1	14,740 9.5	1,901	114.8	102.5
Operating income % of net sales	10,253 7.2	11,510 7.3	9,701 6.3	(552)	94.6	84.3
Ordinary income % of net sales	10,547 7.4	11,630 7.4	10,292 6.7	(255)	97.6	88.5
Net income	4,899	6,010	5,075	176	103.6	84.4
Net income per share(¥)	307.35	376.94	318.37	11.02	103.6	84.5

▶ Figures in the table are rounded down

# Dispensing Pharmacy Business (Consolidated)



The dispensing pharmacy business reported net sales of ¥137,291 million, an increase of 8.0% year on year due to the opening of new dispensing pharmacies, as well as the impact of M&A, and segment income of ¥12,655 million, up 3.0%.

(¥ million)	FY4/12 results	FY4/13 plan	FY4/13 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	127,134	139,630	137,291	10,157	108.0	98.3
Gross profit % of net sales	18,269 14.4	20,470 14.7	19,413 14.1	1,144	106.3	94.8
SG&A expenses % of net sales	6,378 5.0	7,010 5.0	7,306 5.3	928	114.6	104.2
Operating income % of net sales	11,890 9.4	13,460 9.6	12,107 8.8	217	101.8	89.9
Segment income % of net sales	12,286 9.7	13,720 9.8	12,655 9.2	369	103.0	92.2
Number of stores	494	560	560	66	113.4	100.0

- ▶ Figures in the table are rounded down
- ▶ Segment income is adjusted ordinary income shown on the quarterly consolidated statements of income
- ▶ Prescription volume:+9.7% YoY
- ▶ Average prescription price:-1.5% YoY

# Drug and Cosmetic Store Business(Consolidated)

The drug and cosmetic store business reported net sales of ¥16,735 million, an increase of 8.7% year on year, and segment income of ¥14 million, down 88.6%.

(¥ million)	FY4/12 results	FY4/13 plan	FY4/13 results	YoY change	YoY change(%)	Vs plan (%)
Net sales	15,395	17,200	16,735	1,340	108.7	97.3
Gross profit % of net sales	4,870 31.6	5,500 32.0	5,283 31.6	413	108.5	96.1
SG&A expenses % of net sales	4,853 31.5	5,420 31.5	5,351 32.0	498	110.3	98.7
Operating income % of net sales	17 0.1	80 0.5	(68) —	(85)	—	—
Segment income % of net sales	125 0.8	180 1.0	14 0.1	(111)	11.2	7.8
Number of stores	56	66	61	5	108.9	92.4

▶ Figures in the table are rounded down

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

# Consolidated B/S

As a result of the opening stores and M&A, the total assets increased by ¥9,931 million to ¥95,839 million at the end of the previous fiscal year. Shareholders' equity ratio improved 0.8 % to 40.0%, compared with 39.2% at the end of the previous fiscal year.

(¥ million)

End-FY4/12			
Assets		Liabilities	
Current assets	40,320	Current liabilities	42,945
Cash on hand and in banks	15,935	Short-term debt	6,397
Fixed assets	45,570	Long-term liabilities	9,216
Investments in securities	2,825	Long-term debt	6,318
Deferred assets	17	Total net assets	33,745
Total assets	85,908	Total liabilities and net assets	85,908

(¥ million)

End-FY4/13			
Assets		Liabilities	
Current assets	43,162	Current liabilities	45,686
Cash on hand and in banks	18,460	Short-term debt	7,483
Fixed assets	52,676	Long-term liabilities	11,796
Investments in securities	2,789	Long-term debt	8,048
Deferred assets	1	Total net assets	38,356
Total assets	95,839	Total liabilities and net assets	95,839

Net cash	3,219
Shareholders' equity ratio (%)	39.2

Net cash	2,928
Shareholders' equity ratio (%)	40.0

- ▶ Figures in the table are rounded down
- ▶ Net cash = Cash on hand and in banks-Interest-bearing debt

# Assets

Cash on hand and in banks increased by ¥2,525 million to ¥18,460 million year on year due to wider use of the securitization of dispensing fee receivables. Fixed assets increased by ¥7,106 million to ¥52,676 million year on year due to investment in new stores and expansion in the asset base at consolidated subsidiaries that became part of the Group through M&A deals.

(¥ million)	End-FY4/11	End-FY4/12	End-FY4/13	Change
Cash on hand and in banks	15,437	15,935	18,460	2,525
Notes and accounts receivable	10,247	10,985	7,043	(3,942)
Inventories	8,375	8,253	7,944	(309)
<b>Total current assets</b>	<b>38,032</b>	<b>40,320</b>	<b>43,162</b>	<b>2,842</b>
Buildings and structures, net	6,456	7,048	8,247	1,199
Land	5,420	5,621	6,030	409
<b>Total property, plant and equipment</b>	<b>13,451</b>	<b>15,256</b>	<b>17,550</b>	<b>2,294</b>
<b>Total intangible fixed assets</b>	<b>14,827</b>	<b>18,655</b>	<b>20,605</b>	<b>1,950</b>
Investments in securities	2,959	2,825	2,789	(36)
Deferred tax assets	1,233	1,122	946	(176)
Lease and guarantee deposits	4,990	5,758	6,985	1,227
<b>Total investments and other assets</b>	<b>10,592</b>	<b>11,657</b>	<b>14,520</b>	<b>2,863</b>
<b>Total fixed assets</b>	<b>38,871</b>	<b>45,570</b>	<b>52,676</b>	<b>7,106</b>
<b>Total assets</b>	<b>76,940</b>	<b>85,908</b>	<b>95,839</b>	<b>9,931</b>

▶ Figures in the table are rounded down

▶ Capital expenditures (Purchases of property, plant and equipment and intangible fixed assets + deposits/guarantees) totaled ¥7,235 million

▶ Change(¥): End-FY4/13 compared with end-FY4/12

# Liabilities and Net Assets

Net assets increased by ¥4,610 million to ¥38,356 million compared to ¥33,745 million at the end of the previous fiscal year. This was because the balance of retained earnings rose ¥4,278 million to ¥21,704 million due to the growth of retained earnings during the fiscal year.

(¥ million)	End-FY4/11	End-FY4/12	End-FY4/13	Change
Accounts payable	19,706	22,524	24,084	1,560
Short-term debt	5,883	6,397	7,483	1,086
<b>Total current liabilities</b>	<b>37,616</b>	<b>42,945</b>	<b>45,686</b>	<b>2,741</b>
Long-term debt(including bonds)	7,331	6,318	8,048	1,730
<b>Total long-term liabilities</b>	<b>9,824</b>	<b>9,216</b>	<b>11,796</b>	<b>2,580</b>
<b>Total liabilities</b>	<b>47,441</b>	<b>52,162</b>	<b>57,483</b>	<b>5,321</b>
Common stock	8,682	8,682	8,682	0
Capital surplus	7,872	7,872	7,872	0
Retained earnings	13,227	17,426	21,704	4,278
<b>Total shareholders' equity</b>	<b>29,778</b>	<b>33,976</b>	<b>38,254</b>	<b>4,278</b>
<b>Total net assets</b>	<b>29,498</b>	<b>33,745</b>	<b>38,356</b>	<b>4,611</b>
<b>Total liabilities and net assets</b>	<b>76,940</b>	<b>85,908</b>	<b>95,839</b>	<b>9,931</b>

▶ Figures in the table are rounded down

▶ Change(¥): End-FY4/13 compared with end-FY4/12



# Consolidated C/F

The investment in business expansion is served enough by the business cash flows based on business profit.

(¥ million)	FY4/12	FY4/13	Change
Income before income taxes and minority interests	9,782	9,694	(88)
Depreciation and amortization	1,749	2,212	463
Amortization of goodwill	1,262	1,784	522
(Increase) decrease in inventories	404	504	100
Income taxes paid	(4,418)	(4,947)	(529)
<b>Net cash provided by operating activities</b>	<b>11,679</b>	<b>10,203</b>	<b>(1,476)</b>
Payments for purchases of property, plant and equipment, and intangible fixed assets	(3,606)	(4,223)	(617)
Purchase of shares in affiliated companies	(4,122)	(2,923)	1,199
<b>Net cash used in investing activities</b>	<b>(9,010)</b>	<b>(8,503)</b>	<b>507</b>
<b>Net cash provided by (used in) financing activities</b>	<b>(2,131)</b>	<b>803</b>	<b>2,934</b>
Net increase in cash and cash equivalents	537	2,504	1,967
<b>Cash and cash equivalents at end of the period</b>	<b>15,935</b>	<b>18,439</b>	<b>2,504</b>

▶ Figures in the table are rounded down

# Business Value Analysis

	End-FY4/11	End-FY4/12	End-FY4/13	Change
Shareholders' equity ratio (%)	38.3	39.2	40.0	0.8
Market value equity ratio (%)	64.5	79.6	79.3	(0.3)
PER (times)	12.18	13.96	14.97	1.01
EPS (¥)	255.67	307.35	318.37	11.02
PBR (times)	1.68	2.03	1.98	(0.05)
BPS (¥)	1,847.46	2,113.79	2,403.43	289.64
ROA (%)	5.5	6.0	5.6	(0.4)
ROE (%)	15.4	15.5	14.1	(1.4)
ROIC (%)	11.3	13.2	11.2	(2.0)
EBITDA (¥ million)	10,642	13,266	13,698	432
EV/EBITDA (times)	4.30	4.81	5.24	0.43
Net D/E ratio (times)	(0.07)	(0.09)	(0.08)	0.01
Net cash (¥ million)	2,222	3,219	2,928	(291)
Shareholder value (¥ million)	48,000	67,002	74,729	7,727
Market capitalization (¥ million)	49,665	68,400	75,973	7,573

▶ Figures in the table are rounded down

▶ Change: FY4/13 compared with FY4/12

▶ Shareholder value = EV – net interest-bearing debt

▶ Net D/E ratio = (interest-bearing debt – cash on hand and in banks) / shareholders' equity

▶ Share prices used to calculate market capitalization:

End-FY4/11 ¥3,115(end-Apr 2011), end-FY4/12 ¥4,290 (end-Apr 2012), end-FY4/13 ¥4,765 (end-Apr 2013).

▶ Net cash = Cash on hand and in banks – Interest-bearing debt

# FY4/13 Plan (Consolidated)

Dispensing pharmacy business plans improvement of the profit by the opening of new dispensing pharmacies , M&A and the activation of same stores. Drug and cosmetic store business continues the store development of the urban drugstore. We forecast FY4/14 net sales will rise 11.3% YoY, and ordinary income will rise 13.2% YoY.

(¥ million)	FY4/12 results	FY4/13 results	FY4/14 plan	YoY change	YoY change (%)
Net sales	142,790	154,560	172,000	17,440	111.3
Gross profit	23,093	24,442	26,960	2,518	110.3
% of net sales	16.2	15.8	15.7		
SG&A expenses	12,839	14,740	15,680	940	106.4
% of net sales	9.0	9.5	9.1		
Operating income	10,253	9,701	11,280	1,579	116.3
% of net sales	7.2	6.3	6.6		
Ordinary income	10,547	10,292	11,650	1,358	113.2
% of net sales	7.4	6.7	6.8		
Net income	4,899	5,075	6,000	925	118.2
Net income per share(¥)	307.35	318.37	376.31	57.94	118.2
Annual dividend (¥)	50.00	60.00	60.00	0	100.0

▶ Figures in the table are rounded down

▶ Change: FY4/14plan compared with FY4/13

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