



AIN GROUP

IR PRESENTATION

AIN PHARMACIEZ INC.

June 2015

Results Overview

For the fiscal year under the review, the Group reported net sales of ¥187,904 million, an increase of 10.4% year on year, reflecting the opening of new dispensing pharmacies and M&As. Ordinary income rose 10.5% to ¥11,697 million and net income increased 17.8% year on year to ¥6,197 million.

| (¥ million) | FY4/14 results | FY4/15 plan | FY4/15 results | YoY change | YoY change(%) | Vs plan (%) |
|--------------------------------|-------------------|----------------|-------------------|---------------|------------------|----------------|
| Net sales | 170,225 | 190,000 | 187,904 | +17,679 | +10.4 | (1.1) |
| Gross profit | 25,748 | 27,870 | 28,961 | +3,213 | +12.5 | +3.9 |
| % of net sales | 15.1 | 14.7 | 15.4 | | | |
| SG&A expenses | 15,635 | 17,610 | 17,509 | +1,874 | +12.0 | (0.6) |
| % of net sales | 9.2 | 9.3 | 9.3 | | | |
| Operating income | 10,113 | 10,260 | 11,452 | +1,339 | +13.2 | +11.6 |
| % of net sales | 5.9 | 5.4 | 6.1 | | | |
| Ordinary income | 10,587 | 10,700 | 11,697 | +1,110 | +10.5 | +9.3 |
| % of net sales | 6.2 | 5.6 | 6.2 | | | |
| Net income | 5,259 | 5,500 | 6,197 | +938 | +17.8 | +12.7 |
| | 3.1 | 2.9 | 3.3 | | | |
| Net income per share(¥) | 165.04 | 173.46 | 195.45 | +30.41 | +18.4 | +12.7 |

▶ Figures in the table are rounded down

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

The dispensing pharmacy business reported net sales of ¥169,063 million, an increase of 11.6% year on year, and segment income of ¥14,449 million, up 13.1%.

| (¥ million) | FY4/14 results | FY4/15 plan | FY4/15 results | YoY change | YoY change(%) | Vs plan (%) |
|----------------------|-------------------|----------------|-------------------|---------------|------------------|----------------|
| Net sales | 151,472 | 170,140 | 169,063 | +17,591 | +11.6 | (0.6) |
| Gross profit | 20,297 | 21,520 | 23,090 | +2,793 | +13.8 | +7.3 |
| % of net sales | 13.4 | 12.6 | 13.7 | | | |
| SG&A expenses | 8,018 | 8,970 | 9,069 | +1,051 | +13.1 | +1.1 |
| % of net sales | 5.3 | 5.3 | 5.4 | | | |
| Operating income | 12,279 | 12,550 | 14,020 | +1,741 | +14.2 | +11.7 |
| % of net sales | 8.1 | 7.4 | 8.3 | | | |
| Segment income | 12,772 | 13,130 | 14,449 | +1,677 | +13.1 | +10.0 |
| % of net sales | 8.4 | 7.7 | 8.5 | | | |
| Number of pharmacies | 616 | 736 | 754 | +138 | +22.4 | +2.4 |

▶ Figures in the table are rounded down

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

▶ Prescription volume: +11.5% YoY

▶ Average prescription price: +0.2% YoY

Drug and Cosmetic Store Business(Consolidated)

The drug and cosmetic store business reported net sales of ¥17,803 million, a decrease of 1.0% year on year, and segment income of ¥117 million.

| (¥ million) | FY4/14 results | FY4/15 plan | FY4/15 results | YoY change | YoY change(%) | Vs plan (%) |
|------------------|-------------------|----------------|-------------------|---------------|------------------|----------------|
| Net sales | 17,985 | 18,380 | 17,803 | (182) | (1.0) | (3.1) |
| Gross profit | 5,668 | 5,930 | 5,898 | +230 | +4.1 | (0.5) |
| % of net sales | 31.5 | 32.3 | 33.1 | | | |
| SG&A expenses | 5,685 | 5,780 | 5,859 | +174 | +3.1 | +1.4 |
| % of net sales | 31.6 | 31.4 | 32.9 | | | |
| Operating income | (17) | 150 | 38 | +55 | - | (74.7) |
| % of net sales | - | 0.8 | 0.2 | | | |
| Segment income | 23 | 170 | 117 | +94 | +408.7 | (31.2) |
| % of net sales | 0.1 | 0.9 | 0.7 | | | |
| Number of stores | 59 | 65 | 56 | (3) | (5.1) | (13.8) |

▶ Figures in the table are rounded down

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

Interest-bearing debt increased by 2,882 million to 15,939 million. Total net assets increased by ¥5,806 million to ¥48,046 million and the shareholders' equity ratio improved 0.5 percentage points to 42.0%.

(¥ million)

| End-FY4/14 | | | |
|-------------------------------|---------|----------------------------------|---------|
| Assets | | Liabilities | |
| Current assets | 44,334 | Current liabilities | 50,349 |
| Cash on hand and in banks | 18,846 | Short-term debt | 6,535 |
| | | Lease obligations | 566 |
| Fixed assets | 57,048 | Long-term liabilities | 8,793 |
| Investments in securities | 2,559 | Long-term debt | 4,502 |
| | | Lease obligations | 1,454 |
| Deferred assets | - | Total net assets | 42,240 |
| Total assets | 101,382 | Total liabilities and net assets | 101,382 |
| Net cash | | | 5,787 |
| Shareholders' equity ratio(%) | | | 41.5 |

(¥ million)

| End-FY4/15 | | | |
|-------------------------------|---------|----------------------------------|---------|
| Assets | | Liabilities | |
| Current assets | 46,365 | Current liabilities | 54,433 |
| Cash on hand and in banks | 19,553 | Short-term debt | 6,330 |
| | | Lease obligations | 628 |
| Fixed assets | 67,783 | Long-term liabilities | 11,669 |
| Investments in securities | 2,872 | Long-term debt | 7,640 |
| | | Lease obligations | 1,341 |
| Deferred assets | - | Total net assets | 48,046 |
| Total assets | 114,149 | Total liabilities and net assets | 114,149 |
| Net cash | | | 3,613 |
| Shareholders' equity ratio(%) | | | 42.0 |

▶ 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)

| (¥ million) | End-FY4/13 | End-FY4/14 | End-FY4/15 | Change |
|--|---------------|----------------|----------------|----------------|
| Cash on hand and in banks | 18,460 | 18,846 | 19,553 | +707 |
| Notes and accounts receivable | 7,043 | 6,718 | 8,369 | +1,651 |
| Inventories | 7,944 | 9,759 | 9,909 | +150 |
| Total current assets | 43,162 | 44,334 | 46,365 | +2,031 |
| Buildings and structures, net | 8,247 | 9,962 | 11,678 | +1,716 |
| Land | 6,030 | 6,698 | 7,931 | +1,233 |
| Lease assets | 1,229 | 1,342 | 1,388 | +46 |
| Total property, plant and equipment | 17,550 | 19,583 | 22,472 | +2,889 |
| Lease assets | 99 | 47 | 28 | (19) |
| Total intangible fixed assets | 20,605 | 21,129 | 27,623 | +6,494 |
| Investments in securities | 2,789 | 2,559 | 2,872 | +313 |
| Deferred tax assets | 946 | 1,068 | 984 | (84) |
| Deposits and guarantees | 6,985 | 8,081 | 9,710 | +1,629 |
| Total investments and other assets | 14,520 | 16,334 | 17,688 | +1,354 |
| Total fixed assets | 52,676 | 57,048 | 67,783 | +10,735 |
| Total assets | 95,839 | 101,382 | 114,149 | +12,767 |

▶ Figures in the table are rounded down

▶ Capital expenditures (Purchases of property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥6,413 million

▶ Change (¥): End-FY4/15 compared with end-FY14/4

| (¥ million) | End-FY4/13 | End-FY4/14 | End-FY4/15 | Change |
|---|---------------|----------------|----------------|----------------|
| Accounts payable | 24,084 | 28,002 | 31,826 | +3,824 |
| Short-term debt | 7,483 | 6,535 | 6,330 | (205) |
| Lease obligations | 498 | 566 | 628 | +62 |
| Total current liabilities | 45,686 | 50,349 | 54,433 | +4,084 |
| Long-term debt | 8,048 | 4,502 | 7,640 | +3,138 |
| Lease obligations | 1,223 | 1,454 | 1,341 | (113) |
| Total long-term liabilities | 11,796 | 8,793 | 11,669 | +2,876 |
| Total liabilities | 57,483 | 59,142 | 66,103 | +6,961 |
| Common stock | 8,682 | 8,682 | 8,682 | - |
| Capital surplus | 7,872 | 7,872 | 7,872 | - |
| Retained earnings | 21,704 | 26,007 | 31,639 | +5,632 |
| Total shareholders' equity | 38,254 | 42,146 | 47,776 | +5,630 |
| Total net assets | 38,356 | 42,240 | 48,046 | +5,806 |
| Total liabilities and net assets | 95,839 | 101,382 | 114,149 | +12,767 |

▶ Figures in the table are rounded down

▶ Change(¥):End-FY4/15 compared with End-FY14/4

| (¥ million) | End-FY4/14 | End-FY4/15 | Change |
|---|----------------|-----------------|----------------|
| Net cash provided by operating activities | 14,662 | 14,839 | +177 |
| Income before income taxes and minority interests | 10,265 | 10,832 | +567 |
| Depreciation and amortization | 2,258 | 2,553 | +295 |
| Amortization of goodwill | 2,033 | 2,278 | +245 |
| Decrease in accounts receivable | 1,110 | 455 | (655) |
| (Increase) decrease in inventories | (1,485) | 969 | +2,454 |
| Decrease in other accounts receivable | 1,551 | 414 | (1,137) |
| Net cash used in investing activities | (7,749) | (14,560) | (6,811) |
| Payments for purchases of property, plant and equipment and intangible fixed assets | (4,254) | (3,775) | +479 |
| Purchase of shares in affiliated companies | (2,410) | (10,024) | (7,614) |
| Net cash provided by (used in) financing activities | (6,617) | 374 | +6,991 |
| Net increase in cash and cash equivalents | 295 | 653 | +358 |
| Cash and cash equivalents at end of the period | 18,735 | 19,389 | +654 |

▶ Figures in the table are rounded down

| | End-FY4/13 | End-FY4/14 | End-FY4/15 | Change |
|-----------------------------------|------------|------------|------------|---------|
| Shareholders' equity ratio (%) | 40.0 | 41.5 | 42.0 | +0.5 |
| Market value equity ratio (%) | 79.3 | 70.3 | 117.9 | +47.6 |
| PER (times) | 14.97 | 13.62 | 21.72 | +8.10 |
| EPS (¥) | 159.19 | 165.04 | 195.45 | +30.41 |
| PBR (times) | 1.98 | 1.70 | 2.82 | +1.12 |
| BPS (¥) | 1,201.71 | 1,328.43 | 1,511.57 | +183.14 |
| ROA (%) | 5.6 | 5.3 | 5.8 | +0.5 |
| ROE (%) | 14.1 | 13.1 | 13.8 | +0.7 |
| EBITDA (¥ million) | 13,698 | 14,405 | 16,284 | +1,879 |
| EV/EBITDA (times) | 5.37 | 4.49 | 7.98 | +3.49 |
| Net D/E ratio (times) | (0.03) | (0.14) | (0.08) | +0.06 |
| Net cash (¥ million) | 1,206 | 5,787 | 3,613 | (2,174) |
| Shareholders' value (¥ million) | 74,713 | 70,407 | 133,605 | +63,198 |
| Market capitalization (¥ million) | 75,957 | 71,264 | 134,598 | +63,334 |

- ▶ Figures in the table are rounded down ▶ Change: End-FY4/15 compared with End-FY4/14
- ▶ Net D/E ratio = (Interest-bearing debt – Cash on hand and in banks) / Shareholders' equity
- ▶ Shareholders' value = EV – Net interest-bearing debt
- ▶ Market capitalization: Except treasury stock
- ▶ Share prices used to calculate market capitalization:
End-FY4/14 ¥4,765 (End-Apr 2013), End-FY4/14 ¥4,495 (End-Apr 2014), End-FY4/15 ¥4,245 (End-Apr 2015).
- ▶ Net cash = Cash on hand and in banks – Interest-bearing debt (Long- and short- term debt + Lease obligations)
- ▶ On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Net income per share and Net assets per share are calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

We forecast net sales of ¥218,280 million, up 16.2% year on year and ordinary income of ¥13,700 million, up 17.1% year on year for the fiscal year ending April 30, 2016.

| (¥ million) | FY4/14 results | FY4/15 results | FY4/16 plan | YoY change | YoY change (%) |
|--------------------------------|-------------------|-------------------|----------------|---------------|-------------------|
| Net sales | 170,225 | 187,904 | 218,280 | +30,376 | +16.2 |
| Gross profit | 25,748 | 28,961 | 34,290 | +5,329 | +18.4 |
| % of net sales | 15.1 | 15.4 | 15.7 | | |
| SG&A expenses | 15,635 | 17,509 | 20,890 | +3,381 | +19.3 |
| % of net sales | 9.2 | 9.3 | 9.6 | | |
| Operating income | 10,113 | 11,452 | 13,400 | +1,948 | +17.0 |
| % of net sales | 5.9 | 6.1 | 6.1 | | |
| Ordinary income | 10,587 | 11,697 | 13,700 | +2,003 | +17.1 |
| % of net sales | 6.2 | 6.2 | 6.3 | | |
| Net income | 5,259 | 6,197 | 7,230 | +1,033 | +16.7 |
| | 3.1 | 3.3 | 3.3 | | |
| Net income per share(¥) | 165.04 | 195.45 | 228.02 | +32.57 | +16.7 |
| Annual dividend (¥) | 30.00 | 30.00 | 40.00 | +10.00 | +33.3 |

- ▶ Figures in the table are rounded down ▶ Change:FY4/16 plan compared with FY4/15 results ▶ Change (%):FY4/16 plan compared with FY4/15 results
- ▶ On October 1, 2014, the Company conducted a 2-for-1 stock split of common shares. Net income per share and Annual dividend are calculated by deeming stock splits to have occurred at the beginning of the previous fiscal year.

Inquiries related to this presentation should be addressed to

**AIN PHARMACIEZ INC.
Corporate Planning Division
TEL(81)11-814-0010
FAX(81)11-814-5550
<http://www.ainj.co.jp/>**

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