

FY4/19 1Q
IR PRESENTATION

AIN HOLDINGS INC.
September 2018

Results Overview



Consolidated P/L

Net sales decreased 1.6% year on year to ¥65,013 million, operating income declined 12.9% to ¥3,450 million, ordinary income dropped 12.7% to ¥3,610 million, and profit attributable to owners of parent decreased 12.7% to ¥1,851 million.

(¥ million)	FY4/18 1Q results	FY4/19 1Q plan	FY4/19 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	66,095	65,900	65,013	(1,082)	(1.6)	(1.3)
Gross profit	11,060	10,980	10,687	(373)	(3.4)	(2.7)
% of net sales	16.7	16.7	16.4			
SG&A expenses	7,096	7,670	7,236	+140	+2.0	(5.7)
% of net sales	10.7	11.6	11.1			
Operating income	3,963	3,310	3,450	(513)	(12.9)	+4.2
% of net sales	6.0	5.0	5.3			
Ordinary income	4,135	3,430	3,610	(525)	(12.7)	+5.2
% of net sales	6.3	5.2	5.6			
Profit attributable to owners of parent	2,120	1,760	1,851	(269)	(12.7)	+5.2
% of net sales	3.2	2.7	2.8			
Earnings per share(¥)	66.88	49.68	52.27	(14.61)	(21.8)	+5.2

► Figures in the table are rounded down



Dispensing Pharmacy Business (Consolidated)

In spite of contribution of stores that are opened in the previous year, net sales decreased 3.1 % year on year and 1.7% against the plan due to the lagging of new store openings behind the plan. Segment income dropped 17.4% year on year and 6.7% against the plan due to dispensing fee revisions.

(¥ million)	FY4/18 1Q results	FY4/19 1Q plan	FY4/19 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	58,929	58,100	57,090	(1,839)	(3.1)	(1.7)
Gross profit	8,218	7,880	7,416	(802)	(9.8)	(5.9)
% of net sales	13.9	13.6	13.0			
SG&A expenses	3,577	3,770	3,576	(1)	(0.0)	(5.1)
% of net sales	6.1	6.5	6.3			
Operating income	4,640	4,110	3,839	(801)	(17.3)	(6.6)
% of net sales	7.9	7.1	6.7			
Segment income	4,821	4,270	3,984	(837)	(17.4)	(6.7)
% of net sales	8.2	7.3	7.0			
Number of pharmacies	1,054	1,044	1,024	(30)	(2.8)	(1.9)

- ▶ Figures in the table are rounded down
- ▶ Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- ▶ Prescription volume: +0.2% YoY ▶ Average prescription price: (2.9)%YoY



Cosmetic and Drug Store Business (Consolidated)

Net sales increased 11.6% year on year and 2.3% against the plan due to the contribution of stores that are opened in the previous year and improvement of ability to attract customers in same stores. Segment income increasing 883.8% year on year and 56.2% against the plan due to improvement of gross margin by active development of original brand and by an overhaul of procurement activities.

(¥ million)	FY4/18 1Q results	FY4/19 1Q plan	FY4/19 1Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	5,827	6,360	6,505	+678	+11.6	+2.3
Gross profit	2,105	2,340	2,403	+298	+14.2	+2.7
% of net sales	36.1	36.8	36.9			
SG&A expenses	2,077	2,110	2,057	(20)	(1.0)	(2.5)
% of net sales	35.6	33.2	31.6			
Operating income	27	230	345	+318	+1,177.8	+50.0
% of net sales	0.5	3.6	5.3			
Segment income	37	233	364	+327	+883.8	+56.2
% of net sales	0.6	3.7	5.6			
Number of stores	52	48	48	(4)	(7.7)	0.0

- ▶ 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: +3.6% YoY ▶ Average spending per customer: +7.8% YoY



Consolidated B/S

Net cash was ¥43,281 million and shareholders' equity ratio became 53.0%. We are maintaining a sound financial structure.

(¥ million)

End-FY4/18			
Assets		Liabilities	
Current assets	94,557	Current liabilities	69,950
Cash on hand and in banks	63,779	Short-term debt	6,717
		Lease obligations	443
Fixed assets	88,718	Long-term liabilities	16,696
Investments in securities	2,375	Long-term debt	11,511
		Lease obligations	632
Deferred assets	103	Total net assets	96,733
Total assets	183,380	Total liabilities and net assets	183,380

(¥ million)

End-FY4/19 1Q			
Assets		Liabilities	
Current assets	94,685	Current liabilities	70,739
Cash on hand and in banks	61,725	Short-term debt	7,486
		Lease obligations	399
Fixed assets	87,885	Long-term liabilities	15,106
Investments in securities	2,320	Long-term debt	10,052
		Lease obligations	504
Deferred assets	92	Total net assets	96,816
Total assets	182,663	Total liabilities and net assets	182,663

Net cash	44,474
Shareholders' equity ratio(%)	52.7

Net cash	43,281
Shareholders' equity ratio(%)	53.0

- ▶ 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)
- ▶ The company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” from FY4/19. Results for the previous FY have been adjusted to reflect this change in presentation.



Assets

The balance of total assets decreased ¥717 million from the end of the previous fiscal year due to the decreasing in cash on hand and in banks and in goodwill, though inventories increased.

(¥ million)	End-FY4/18 1Q	End-FY4/18	End-FY4/19 1Q	Change
Cash on hand and in banks	29,500	63,779	61,725	(2,054)
Notes and accounts receivable	9,656	10,466	11,511	+1,045
Inventories	12,688	9,580	11,227	+1,647
Total current assets	64,249	94,557	94,685	+128
Buildings and structures, net	15,342	14,934	14,773	(161)
Land	9,871	10,041	10,197	+156
Lease assets	1,122	824	733	(91)
Total property, plant and equipment	28,229	27,853	27,884	+31
Goodwill	40,438	38,011	37,266	(745)
Lease assets	16	11	10	(1)
Total intangible fixed assets	42,583	40,132	39,285	(847)
Investments in securities	2,476	2,375	2,320	(55)
Deferred tax assets	3,305	3,772	3,819	+47
Deposits and guarantees	10,763	11,339	11,414	+75
Total investments and other assets	20,513	20,732	20,715	(17)
Total fixed assets	91,326	88,718	87,885	(833)
Total deferred assets	-	103	92	(11)
Total assets	155,576	183,380	182,663	(717)

- ▶ Figures in the table are rounded down ▶ Change: End-FY4/19 1Q compared with End-FY4/18
- ▶ Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥1,257 million
- ▶ The company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" from FY4/19. Results for the previous FY have been adjusted to reflect this change in presentation.



Liabilities and Net Assets

The balance of liabilities decreased ¥800 million from the end of the previous fiscal year due to the repayment of debts etc.

(¥ million)	End-FY4/18 1Q	End-FY4/18	End-FY4/19 1Q	Change
Accounts payable	41,779	38,728	41,646	+2,918
Short-term debt	8,520	6,717	7,486	+769
Lease obligations	560	443	399	(44)
Total current liabilities	73,213	69,950	70,739	+789
Long-term debt	16,376	11,511	10,052	(1,459)
Lease obligations	911	632	504	(128)
Total long-term liabilities	21,645	16,696	15,106	(1,590)
Total liabilities	94,858	86,646	85,846	(800)
Common stock	8,682	21,894	21,894	0
Capital surplus	6,367	20,500	20,500	0
Retained earnings	45,822	54,268	54,349	+81
Total shareholders' equity	60,453	96,662	96,743	+81
Total net assets	60,717	96,733	96,816	+83
Total liabilities and net assets	155,576	183,380	182,663	(717)

▶ Figures in the table are rounded down

▶ Change : End-FY4/19 1Q compared with End-FY4/18

▶ The company has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" from FY4/19. Results for the previous FY have been adjusted to reflect this change in presentation.



FY4/19 Plan (Consolidated)

The group forecasts net sales for the fiscal year ending April 30, 2019 of 272,870 million, increase 1.7% year on year by openings new stores (100 pharmacies and 7 Cosmetic and drug stores) , ordinary income decrease 10.6% due to the dispensing fee revisions.

(¥ million)	FY4/17 results	FY4/18 results	FY4/19 plan	YoY change	YoY change (%)
Net sales	248,110	268,385	272,870	+4,485	+1.7
Gross profit	42,092	47,993	48,040	+47	+0.1
% of net sales	17.0	17.9	17.6		
SG&A expenses	27,529	28,370	30,540	+2,170	+7.6
% of net sales	11.1	10.6	11.2		
Operating income	14,563	19,622	17,500	(2,122)	(10.8)
% of net sales	5.9	7.3	6.4		
Ordinary income	15,080	20,129	18,000	(2,129)	(10.6)
% of net sales	6.1	7.5	6.6		
Profit attributable to owners of parent	7,949	10,567	9,260	(1,307)	(12.4)
% of net sales	3.2	3.9	3.4		
Earnings per share(¥)	250.71	310.08	261.38	(48.70)	(15.7)
Annual dividend (¥)	50.00	50.00	55.00	+5.00	+10.0

▶ Figures in the table are rounded down ▶ YoY change :FY4/19 plan compared with FY4/18 results

1Q Review

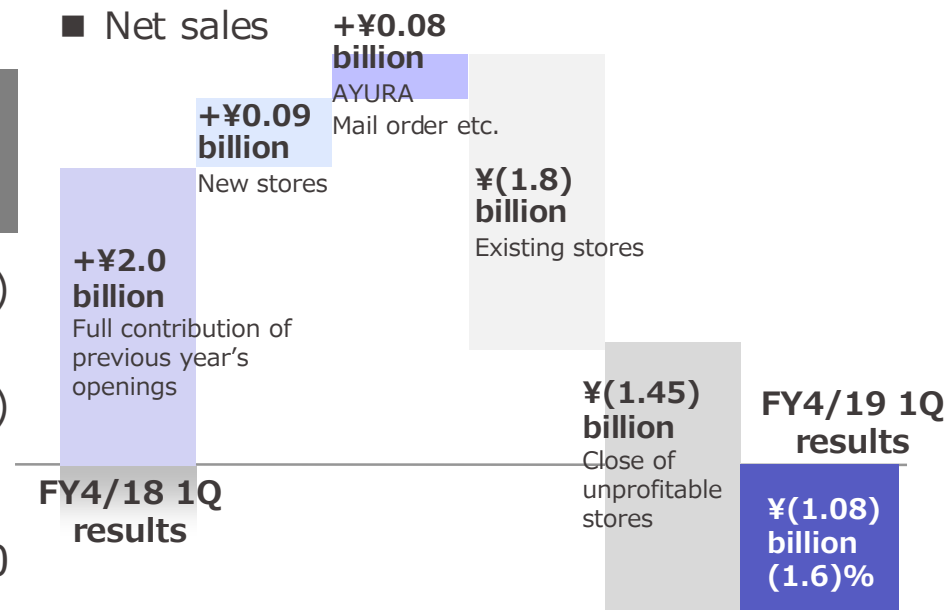


Review① (Vs FY4/18 Results)

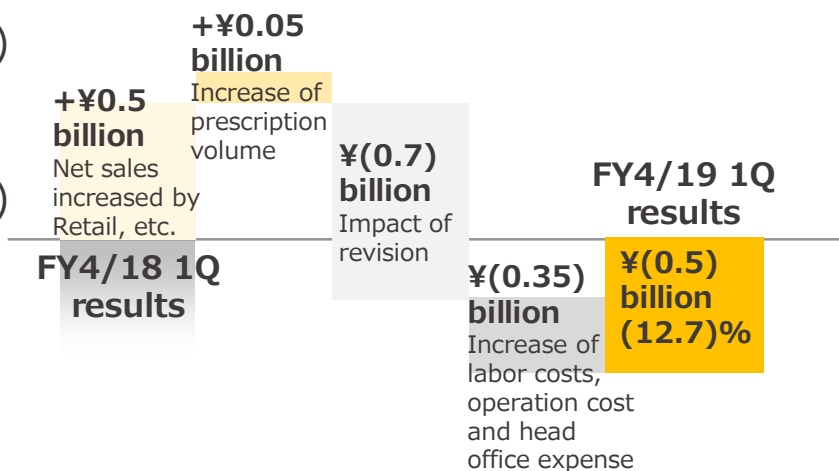
(¥ million)	FY4/18 1Q results	FY4/19 1Q results	YoY change	YoY change (%)
Net sales	66,095	65,013	(1,082)	(1.6)
Gross profit % of net sales	11,060 16.7	10,687 16.4	(373)	(3.4)
SG&A expenses % of net sales	7,096 10.7	7,236 11.1	+140	+2.0
Operating income % of net sales	3,963 6.0	3,450 5.3	(513)	(12.9)
Ordinary income % of net sales	4,135 6.3	3,610 5.6	(525)	(12.7)

▶ Figures in the table are rounded down

■ Net sales



■ Ordinary income



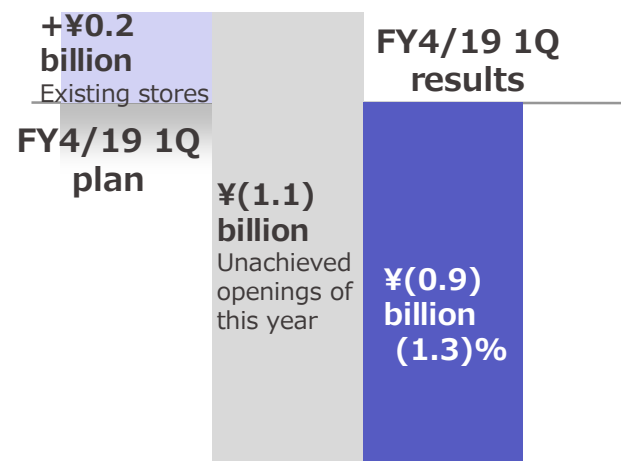


Review② (Vs plan)

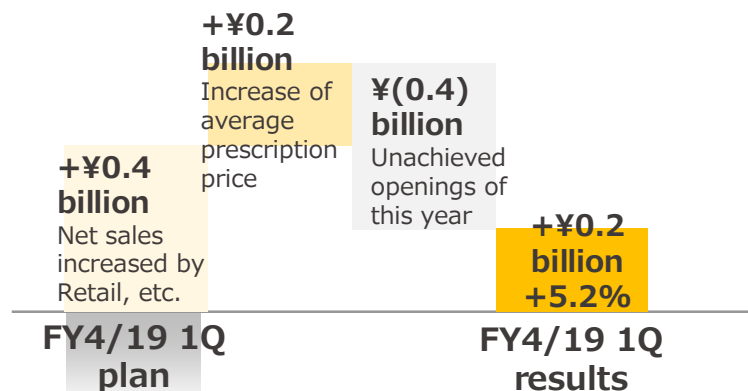
(¥ million)	FY4/19 1Q plan	FY4/19 1Q results	Vs plan	Vs plan (%)
Net sales	65,900	65,013	(887)	(1.3)
Gross profit % of net sales	10,980 16.7	10,687 16.4	(293)	(2.7)
SG&A expenses % of net sales	7,670 11.6	7,236 11.1	(434)	(5.7)
Operating income % of net sales	3,310 5.0	3,450 5.3	+140	+4.2
Ordinary income % of net sales	3,430 5.2	3,610 5.6	+180	+5.2

▶ Figures in the table are rounded down

■ Net sales



■ Ordinary income





Top-line①

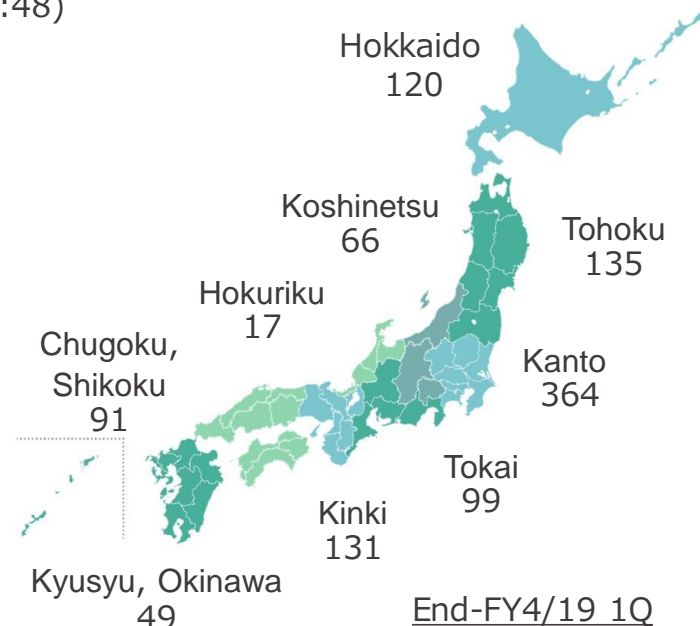
Although M&A fell below the plan in FY4/19 1Q, the group has decided to acquire Kom-Medical and ABC Pharmacy in Sep 2018, and the group is expect to reach the 107 new store openings in this fiscal year.

■ Total number of stores

1,072 (Dispensing pharmacy:1,024 Cosmetic and drug store:48)

■ Plan

		FY4/19 1Q		Sep. 2018 Prospect	FY4/19 Plan
		Plan	Results		
Dispensing Pharmacy	Organic	2	2	59	70
	M&A	23	3		
Cosmetic and drug store		-	-	2	7
Total		25	5	66	107
Close	Dispensing Pharmacy	-	10	-	17
	Cosmetic and drug store	-	-		
Total of closed store		-	10	-	17



■ Transition of dispensing pharmacies

	FY4/10	FY4/11	FY4/12	FY4/13	FY4/14	FY4/15	FY4/16	FY4/17	FY4/18	FY4/191Q
Organic	21	18	27	38	36	40	32	27	25	2
M&A	3	35	28	38	26	119	110	182	11	3
EV/EBITDA ratio	3.45	5.60	5.51	5.09	3.94	4.77	5.37	5.50	3.96	3.40
Closed	2	5	9	10	6	21	15	24	73	10
No. of total stores	397	448	494	560	616	754	881	1,066	1,029	1,024

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

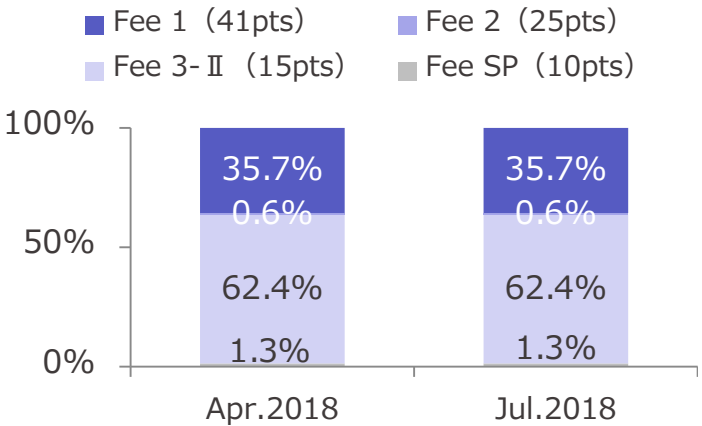
▶ No. of stores include temporary closed stores from FY4/11



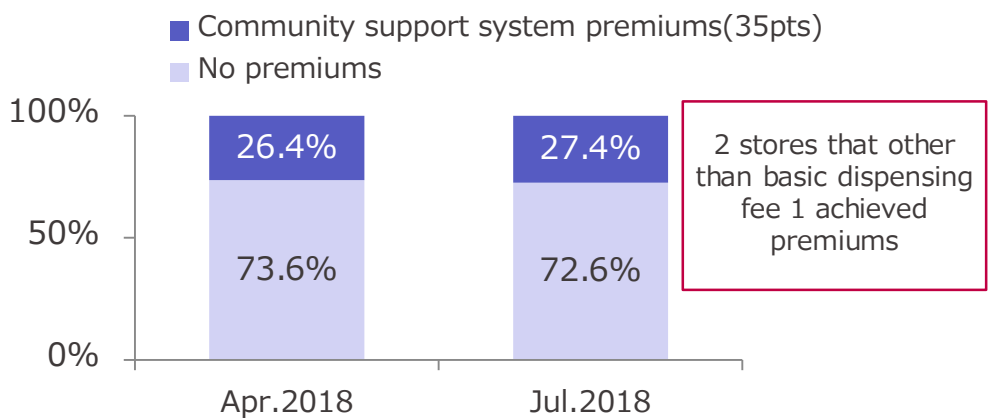
Correspondence to Dispensing Fee Revisions of 2018

Objects: 1,016 stores, which including same stores and stores that were opened in previous year

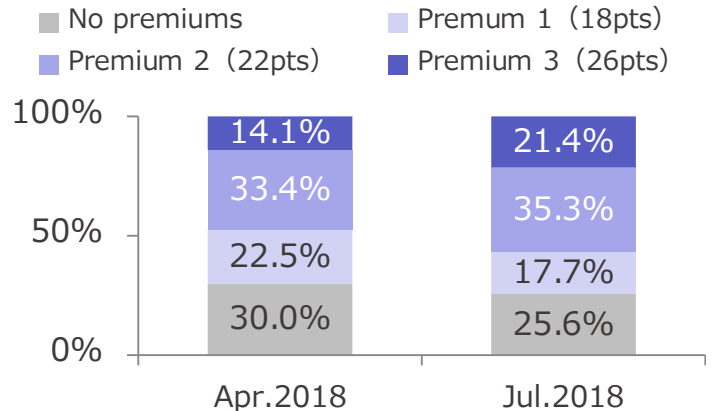
Basic dispensing fee



Community support system premiums

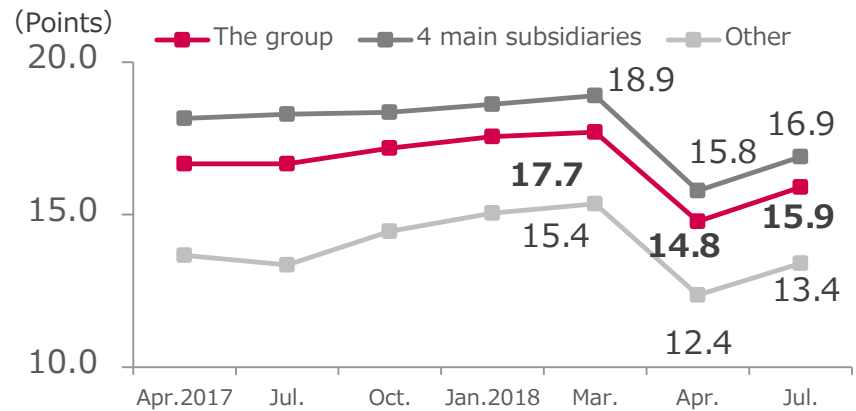


GE premiums



▶ Share of GE quantity : 78.8% (July 2018)

Transition of GE premiums



▶ GE average premiums per a reception

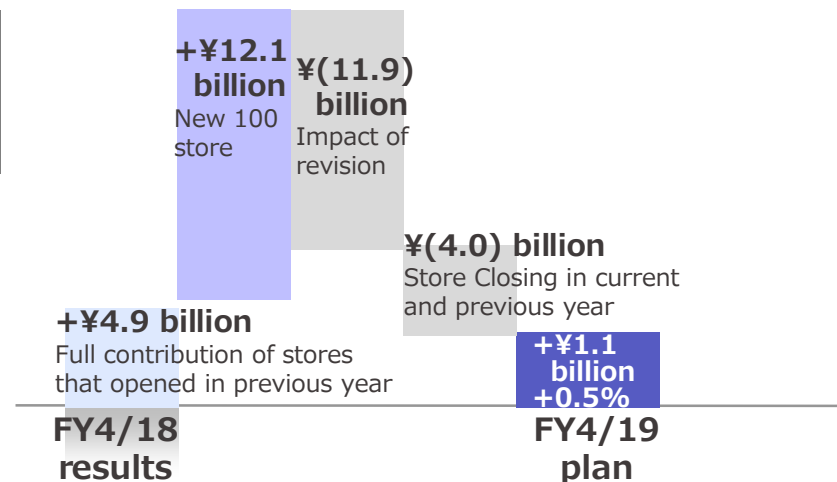


FY4/19 Plan (Dispensing Pharmacy Business)

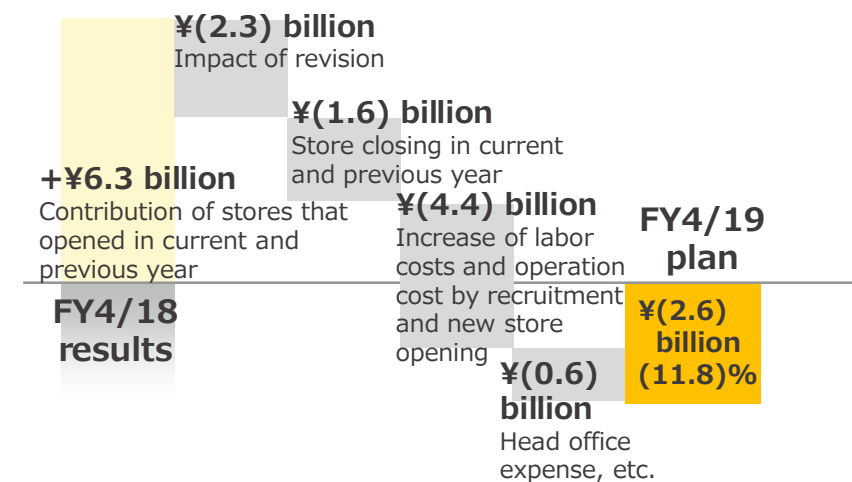
(¥ million)	FY4/18 results	FY4/19 plan	YoY change	YoY change (%)
Net sales	238,645	239,800	+1,155	+0.5
Gross profit % of net sales	36,030 15.1	34,500 14.4	(1,530)	(4.2)
SG&A expenses % of net sales	14,034 5.9	15,200 6.3	+1,166	+8.3
Operating income % of net sales	21,995 9.2	19,300 8.0	(2,695)	(12.3)
Segment income % of net sales	22,668 9.5	20,000 8.3	(2,668)	(11.8)

▶ Figures in the table are rounded down

■ Net sales



■ Segment income





Expansion of AINZ & TULPE

HIGASHI IKEBKURO

Location Toshima-ku, Tokyo

Open Aug 3, 2018

Sales floor 800m²



OLINAS KINSHICHO

Location Sumida-ku, Tokyo

Open Sep 13, 2018
(plan)

Sales floor 290m²

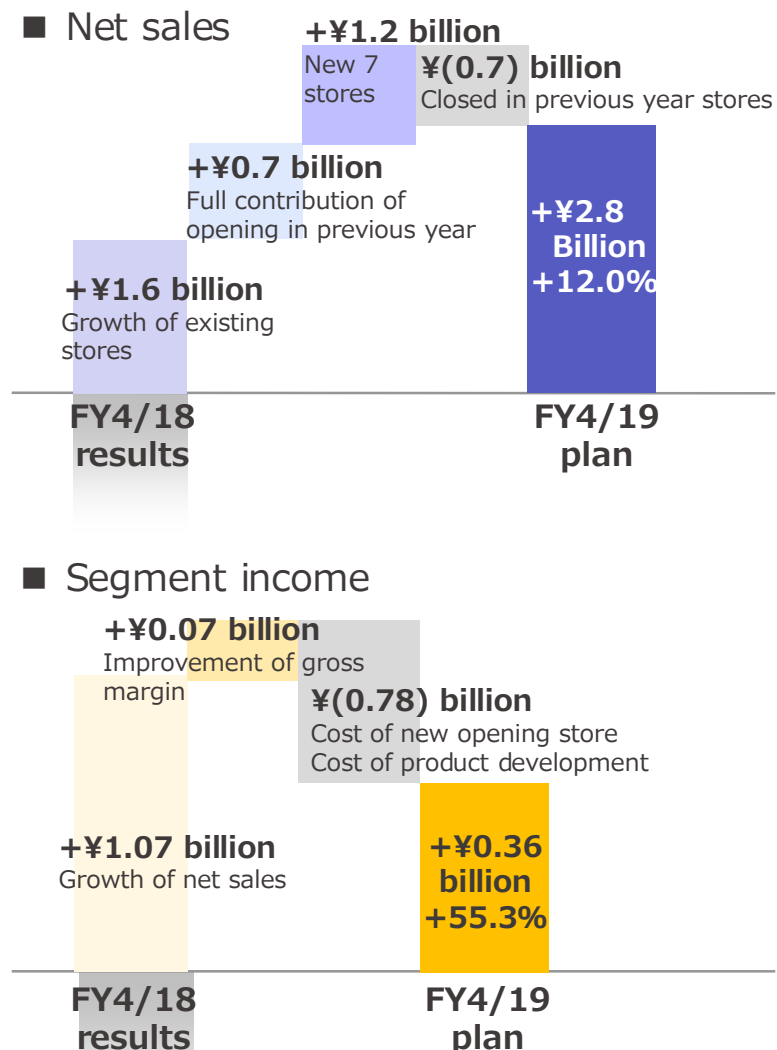




FY4/19 Plan (Cosmetic and Drug Store Business)

(¥ million)	FY4/18 results	FY4/19 plan	YoY change	YoY change (%)
Net sales	24,117	27,000	+2,883	+12.0
Gross profit % of net sales	8,925 37.0	10,060 37.3	+1,135	+12.7
SG&A expenses % of net sales	8,317 34.5	9,060 33.6	+743	+8.9
Operating income % of net sales	608 2.5	1,000 3.7	+392	+64.5
Segment income % of net sales	657 2.7	1,020 3.8	+363	+55.3

▶ Figures in the table are rounded down



Supplementary Information



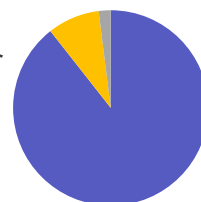
Dispensing fee revision of 2018

	Before revision	Point	After revision	Point
Basic dispensing fee	1 Except following	41	1 Pharmacy which located at few medical resources area or except 2,3 & S	41
	2 Over 4,000 times & 70% or Over 2,000 times & 90% or Over 4,000 times from specific hospital	25	2 Over 4,000 times & 70% or Over 2,000 times & 85% or Over 4,000 times from specific hospital(In the case of Medical mall or 2nd store, the prescriptions is added up)	25
	3 Same group over 40,000 times / month and over 95% or Lease contract with medical institution	20	3 I. Same group over 40,000 times / month and over 85% or lease contract with medical institution II. Same group over 400,000 times / month and over 85% or lease contract with medical institution	20 15
			SP Same premises(lease contract etc.) and over 95%	10
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	Community support system premiums Basic dispensing fee 1 : follow the standards for dispensing system Other than basic dispensing fee 1 have to fulfill all the following achievements per pharmacist ①Night · holiday addition 400 times ②Duplicate medication · Interaction prevention addition 40 times ③Medication adjustment support addition 1 time ④Home healthcare services for single building 1 person only 12 times ⑤Medication information providing fee 60 times ⑥Narcotic drug management guidance addition 10 times ⑦Primary care pharmacists instruction fee 40 times ⑧Outpatient medication support fee 12 times	35
Generic drug dispensing systems Premiums	65-75%	18	75-80%	18
	Over 75%	22	80-85%	22
	-		Over 85%	26
Drug use history management and guidance fee	Basic dispensing fee 1 & Patients' handing over medication notebook & Patients' visiting within 6 months	38	Basic dispensing fee 1 & Patients' handing over medication notebook & Patients' visiting within 6 months	41
	Except the above	50	Except the above	53
Primary care pharmacists instruction fee	Operational experience for at least 3 years, Working over 32 per week, Belongs to pharmacy at least 0.5 year, Certified pharmacists, Participation of community activity	70	Operational experience for at least 3 years, Working over 32 hours(or 24 hours & working more than 4 days) per week, Belongs to pharmacy at least 1 year , Certified pharmacists, Participation of community activity	73



Company Profile

Trade name	AIN HOLDINGS INC
Representative	Kiichi Otani, President and Representative Director
Established	August 1969
Market capitalization	¥301,134 million <u>As of August 31, 2018</u>
Net sales and operating income	Net sales: ¥268,385 million Operating income: ¥19,622 million <u>As of FY4/18</u>
Sales composition	Dispensing Pharmacy : ¥238,645 million, Cosmetic and Drug Store : ¥24,117 million, Others : ¥5,623 million <u>As of FY4/18</u>
Number of employees	9,603 (including pharmacists : 4,457) <u>As of April 30, 2018</u>
Group companies	《Dispensing pharmacy》 AIN PHARMACIEZ Inc. and other 65 companies. 《Staffing services》 《Consulting services》 MEDIWEL Corp., Medical Development Co., Ltd. etc. 《Generic drug wholesales》 WHOLESAL STARS Co., Ltd <u>As of FY4/18</u>
Number of stores	1,077 (1,029 dispensing pharmacies, 48 cosmetic and drug stores) <u>As of FY4/18</u>

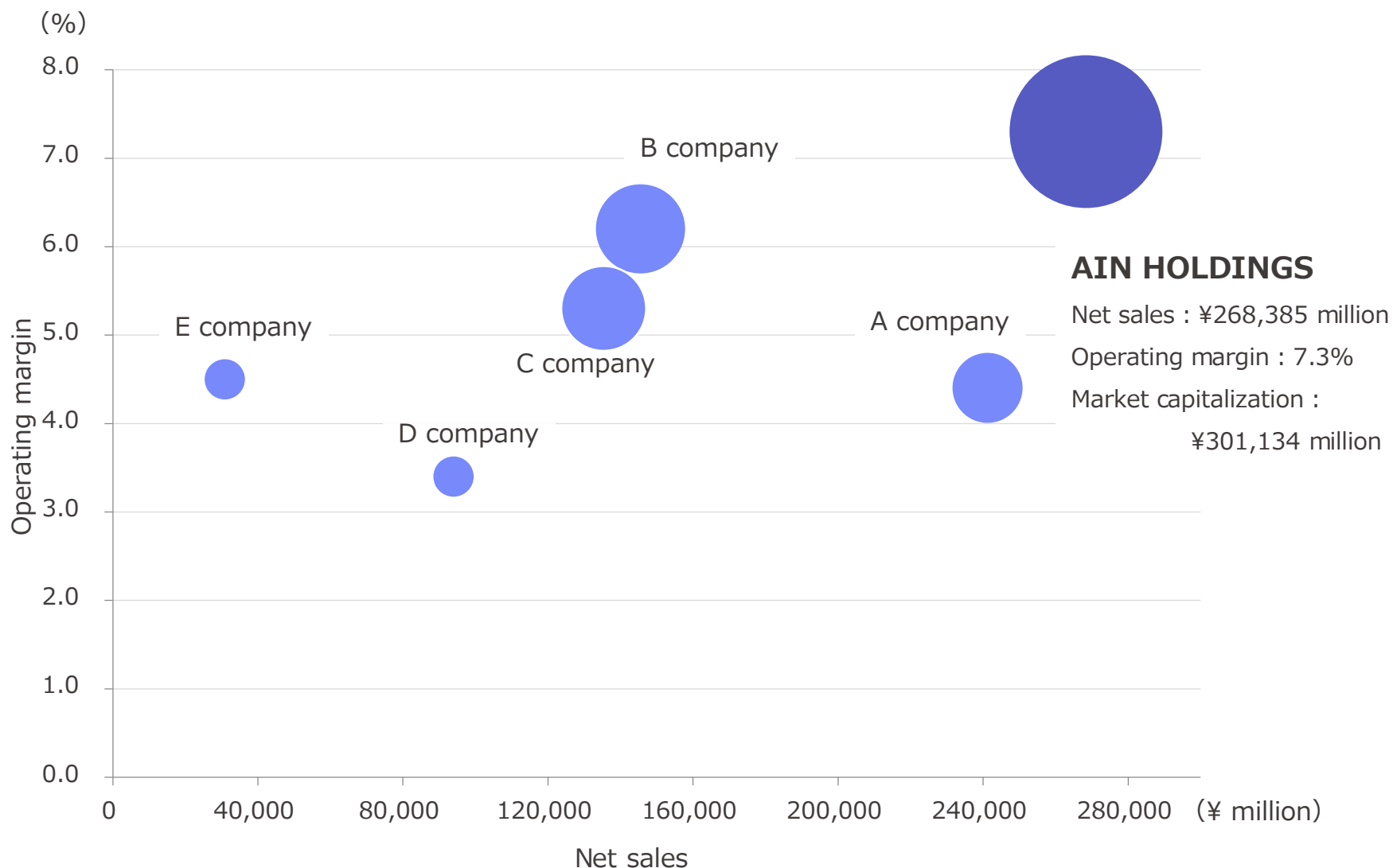


FY4/18 Consolidated net sales
¥268,385 million





Comparison to Other Companies



▶ Based on each company's summary of financial statement for FY 3/18 (Ain HD: FY4/18)

▶ Size of circle is proportional to market capitalization on Aug 31, 2018



Inquiries related to this presentation should be addressed to

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

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AIN GROUP