

FY4/19 3Q
IR PRESENTATION

AIN HOLDINGS INC.
March 2019

Results Overview



Consolidated P/L

Net sales increased 1.2% year on year to ¥202,522 million, operating income declined 16.8% to ¥11,909 million, ordinary income dropped 15.8% to ¥12,425 million, and profit attributable to owners of parent decreased 14.5% to ¥6,781 million.

(¥ million)	FY4/18 3Q results	FY4/19 3Q plan	FY4/19 3Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	200,043	202,890	202,522	+2,479	+1.2	(0.2)
Gross profit	35,193	35,110	33,753	(1,440)	(4.1)	(3.9)
% of net sales	17.6	17.3	16.7			
SG&A expenses	20,883	22,850	21,844	+961	+4.6	(4.4)
% of net sales	10.4	11.3	10.8			
Operating income	14,310	12,260	11,909	(2,401)	(16.8)	(2.9)
% of net sales	7.2	6.0	5.9			
Ordinary income	14,760	12,630	12,425	(2,335)	(15.8)	(1.6)
% of net sales	7.4	6.2	6.1			
Profit attributable to owners of parent	7,931	6,650	6,781	(1,150)	(14.5)	+2.0
% of net sales	4.0	3.3	3.3			
Earnings per share(¥)	235.74	187.71	191.41	(44.33)	(18.8)	+2.0

▶ Figures in the table are rounded down



Dispensing Pharmacy Business (Consolidated)

Net sales increased 0.7% year on year and 0.7% against the plan due to the drug price that exceed the expectation and stores opened in the previous fiscal year made a significant contribution to sales. Segment income decreased 5.3% against the plan due to the shortness for making up the upfront investment for new store openings.

(¥ million)	FY4/18 3Q results	FY4/19 3Q plan	FY4/19 3Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	178,136	178,220	179,397	+1,261	+0.7	+0.7
Gross profit	26,273	25,090	24,216	(2,057)	(7.8)	(3.5)
% of net sales	14.7	14.1	13.5			
SG&A expenses	10,747	11,360	11,112	+365	+3.4	(2.2)
% of net sales	6.0	6.4	6.2			
Operating income	15,525	13,730	13,104	(2,421)	(15.6)	(4.6)
% of net sales	8.7	7.7	7.3			
Segment income	16,013	14,240	13,488	(2,525)	(15.8)	(5.3)
% of net sales	9.0	8.0	7.5			
Number of pharmacies	1,041	1,092	1,083	+42	+4.0	(0.8)

- ▶ Figures in the table are rounded down
- ▶ Segment income is adjusted to ordinary income shown on the quarterly consolidated statements of income
- ▶ Prescription volume: +4.2% YoY ▶ Average prescription price: (3.1)%YoY



Cosmetic and Drug Store Business (Consolidated)

Although the net sales of existing stores has showing steadily growth, net sales increased 6.5 % year on year and decreased 6.0% against the plan due to the series of natural disaster. Segment income decreased 9.1% against the plan due to net sales unachieved.

(¥ million)	FY4/18 3Q results	FY4/19 3Q plan	FY4/19 3Q results	YoY change	YoY change(%)	Vs plan (%)
Net sales	17,779	20,140	18,927	+1,148	+6.5	(6.0)
Gross profit	6,647	7,510	7,085	+438	+6.6	(5.7)
% of net sales	37.4	37.3	37.4			
SG&A expenses	6,257	6,710	6,403	+146	+2.3	(4.6)
% of net sales	35.2	33.3	33.8			
Operating income	390	800	682	+292	+74.9	(14.7)
% of net sales	2.2	4.0	3.6			
Segment income	425	815	741	+316	+74.4	(9.1)
% of net sales	2.4	4.0	3.9			
Number of stores	48	52	52	+4	+8.3	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: +3.0% YoY ▶ Average spending per customer: +3.4% YoY



Consolidated B/S

Net cash was ¥38,696 million and shareholders' equity ratio became 55.5%. 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 3Q			
Assets		Liabilities	
Current assets	88,391	Current liabilities	69,235
Cash on hand and in banks	53,494	Short-term debt	6,935
		Lease obligations	346
Fixed assets	94,567	Long-term liabilities	12,118
Investments in securities	2,267	Long-term debt	7,020
		Lease obligations	495
Deferred assets	70	Total net assets	101,674
Total assets	183,029	Total liabilities and net assets	183,029

Net cash 44,474

Shareholders' equity ratio(%) 52.7

Net cash 38,696

Shareholders' equity ratio(%) 55.5

▶ 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 decreased ¥351 million from the end of the previous fiscal year due to the decrease of cash on hand and in banks while inventories has increased.

(¥ million)	End-FY4/18 3Q	End-FY4/18	End-FY4/19 3Q	Change	
Cash on hand and in banks	60,572	63,779	53,494	(10,285)	Repayment of debts
Notes and accounts receivable	10,269	10,466	11,172	+706	
Inventories	12,482	9,580	12,725	+3,145	New store openings
Total current assets	92,976	94,557	88,391	(6,166)	
Buildings and structures, net	15,228	14,934	15,978	+1,044	
Land	10,150	10,041	10,368	+327	
Lease assets	941	824	695	(129)	
Total property, plant and equipment	28,253	27,853	29,660	+1,807	
Goodwill	38,476	38,011	40,138	+2,127	M&A
Lease assets	12	11	10	(1)	
Total intangible fixed assets	40,489	40,132	42,352	+2,220	
Investments in securities	2,389	2,375	2,267	(108)	
Deferred tax assets	3,369	3,772	3,989	+217	
Deposits and guarantees	10,740	11,339	12,832	+1,493	
Total investments and other assets	20,344	20,732	22,553	+1,821	
Total fixed assets	89,087	88,718	94,567	+5,849	
Total deferred assets	114	103	70	(33)	
Total assets	182,178	183,380	183,029	(351)	

- ▶ Figures in the table are rounded down
- ▶ Change: End-FY4/19 3Q compared with End-FY4/18
- ▶ Capital expenditures (Property, plant and equipment and intangible fixed assets + Deposits and guarantees) totaled ¥5,766million



Liabilities and Net Assets

The balance of liabilities decreased ¥5,292 million from the end of the previous fiscal year due to the repayment of debts etc.

(¥ million)	End-FY4/18 3Q	End-FY4/18	End-FY4/19 3Q	Change
Accounts payable	41,351	38,728	43,016	+4,288
Short-term debt	8,207	6,717	6,935	+218
Lease obligations	475	443	346	(97)
Total current liabilities	69,831	69,950	69,235	(715)
Long-term debt	13,012	11,511	7,020	(4,491)
Lease obligations	734	632	495	(137)
Total long-term liabilities	18,088	16,696	12,118	(4,578)
Total liabilities	87,920	86,646	81,354	(5,292)
Common stock	21,894	21,894	21,894	-
Capital surplus	20,500	20,500	20,500	-
Retained earnings	51,632	54,268	59,278	+5,010
Total shareholders' equity	94,026	96,662	101,672	+5,010
Total net assets	94,257	96,733	101,674	+4,941
Total liabilities and net assets	182,178	183,380	183,029	(351)

Repayment of debts

- ▶ Figures in the table are rounded down
- ▶ Change : End-FY4/19 3Q compared with End-FY4/18



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

3Q Review

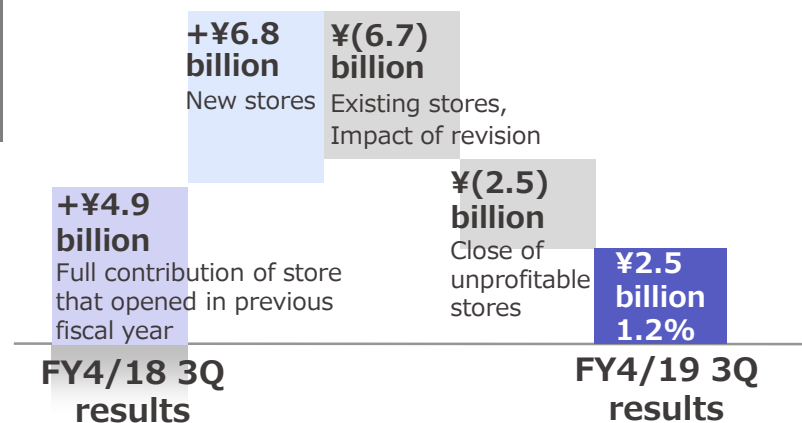


Review① (YoY)

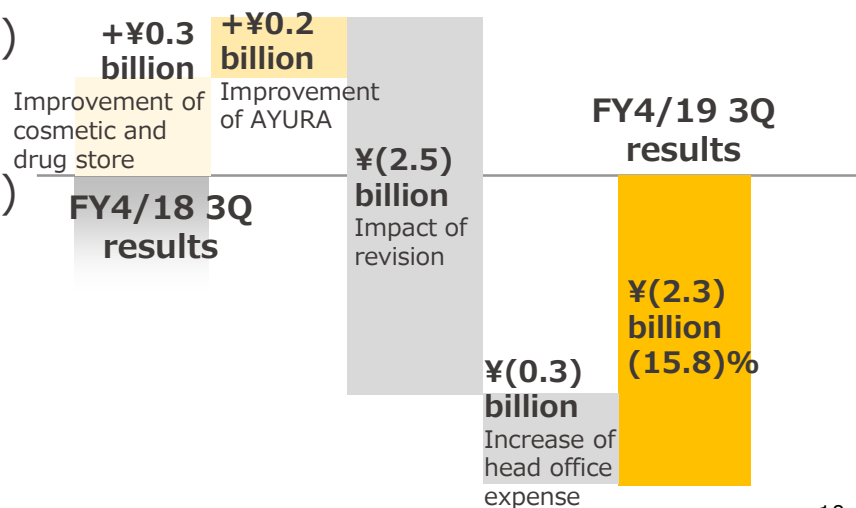
(¥ million)	FY4/18 3Q results	FY4/19 3Q results	YoY change	YoY change (%)
Net sales	200,043	202,522	2,479	+1.2
Gross profit % of net sales	35,193 17.6	33,753 16.7	(1,440)	(4.1)
SG&A expenses % of net sales	20,883 10.4	21,844 10.8	+961	+4.6
Operating income % of net sales	14,310 7.2	11,909 5.9	(2,401)	(16.8)
Ordinary income % of net sales	14,760 7.4	12,425 6.1	(2,335)	(15.8)

▶ Figures in the table are rounded down

■ Net sales



■ Ordinary income



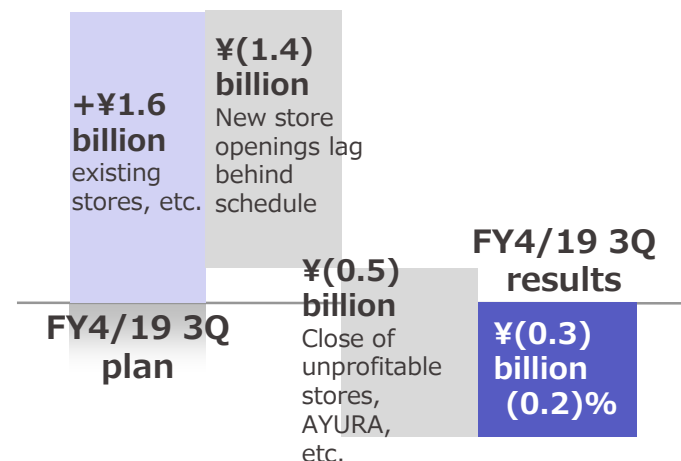


Review② (Vs plan)

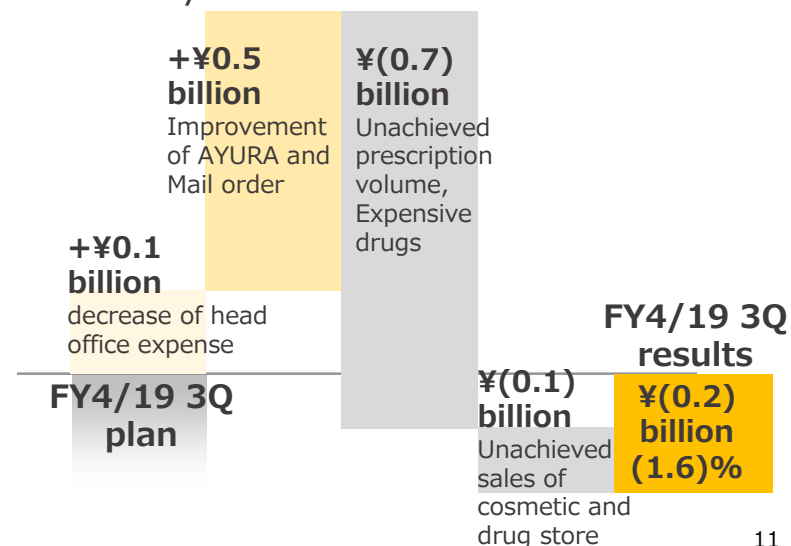
(¥ million)	FY4/19 3Q plan	FY4/19 3Q results	Vs plan	Vs plan (%)
Net sales	202,890	202,522	(368)	(0.2)
Gross profit % of net sales	35,110 17.3	33,753 16.7	(1,357)	(3.9)
SG&A expenses % of net sales	22,850 11.3	21,844 10.8	(1,006)	(4.4)
Operating income % of net sales	12,260 6.0	11,909 5.9	(351)	(2.9)
Ordinary income % of net sales	12,630 6.2	12,425 6.1	(205)	(1.6)

▶ Figures in the table are rounded down

■ Net sales



■ Ordinary income

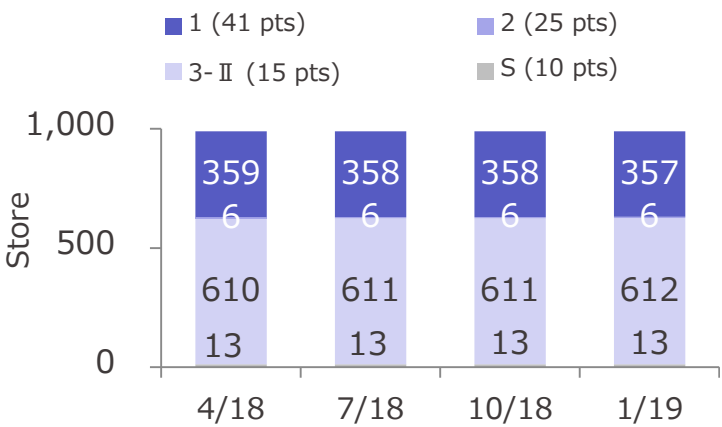




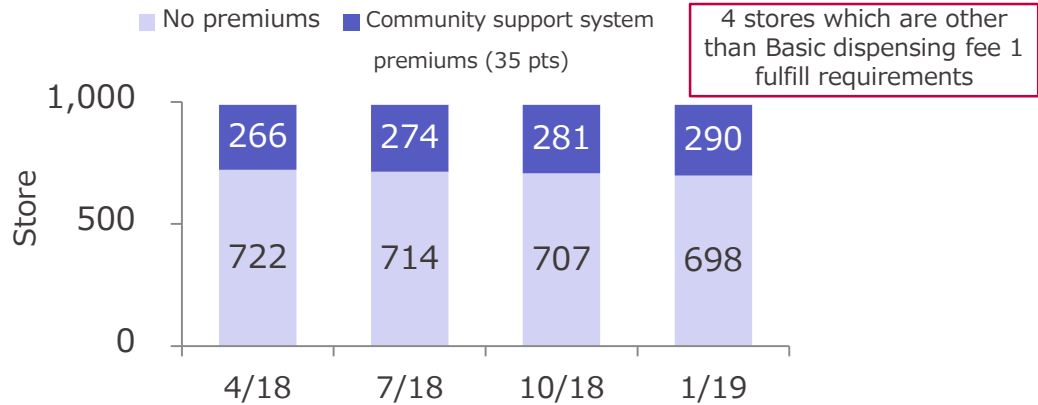
Response to revision of 2018

Object: 988 stores, which including existing stores and stores opening in FY4/18

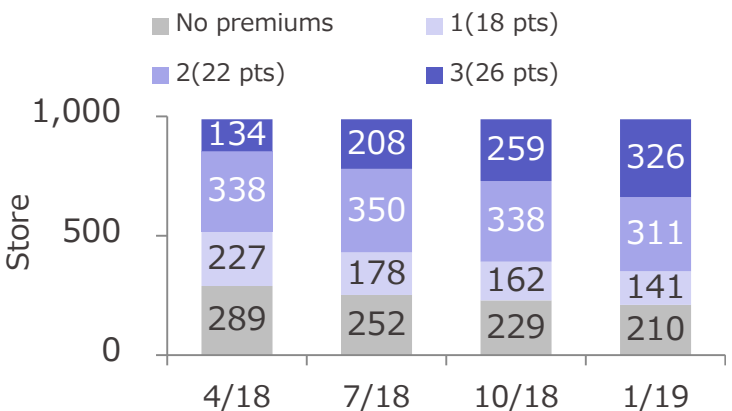
Basic dispensing fee



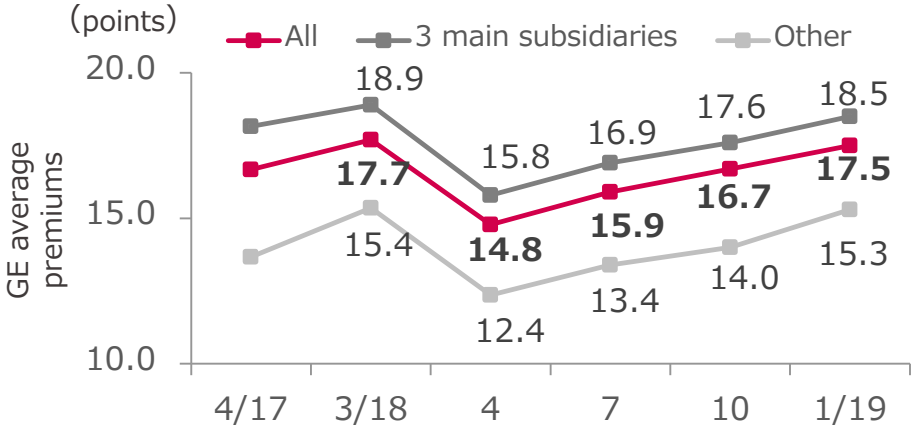
Community support system premiums



GE premiums



Transition of GE premiums



▶ GE drugs share (volume) : 79.9% (As of January 2019)

▶ Average of GE premiums per a reception



Top-line

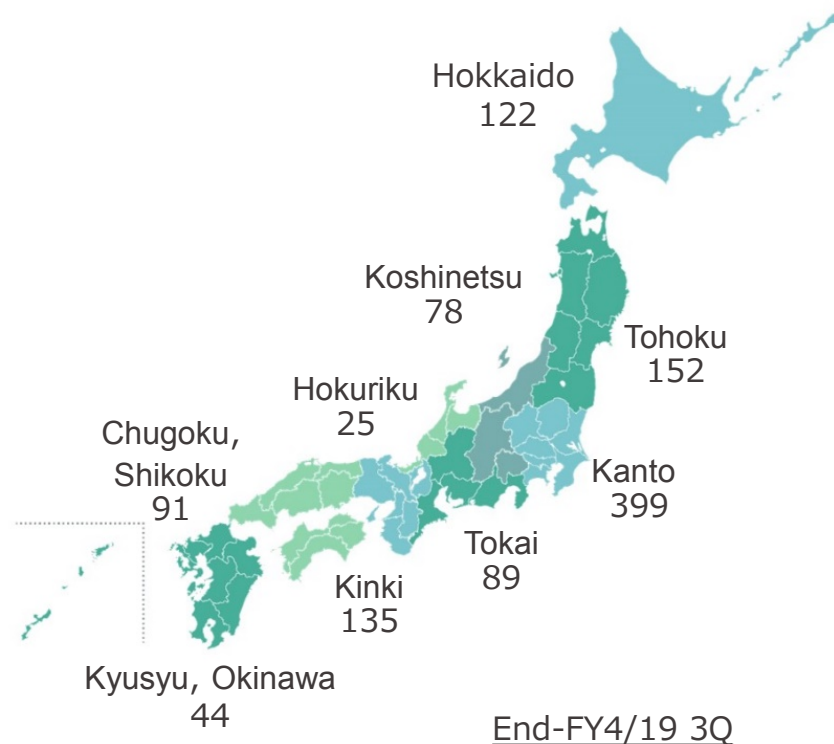
The group has achieved the initial plan of M&A in end of the third quarter. Total number of store opening in end-FY4/19 will greatly exceeds the initial plan since the group is intend to acquire TSUCHIYA YAKUHIN INC. on March 28, 2019, which operates 36 dispensing pharmacies in Nagano Prefecture.

■ Total number of stores

1,135 (Dispensing pharmacy:1,083 Cosmetic and drug store:52)

■ Plan

		FY4/19 3Q		FY4/19 Plan	
		Plan	Results		
Dispensing Pharmacy	Organic	21	18	30	
	M&A (EV/EBITDA ratio)	59	75 (4.84)		
Cosmetic and drug store		4	5	7	
Total		84	98	107	
Closure	Dispensing Pharmacy	Close	17	15	17
		Sell	-	24	
	Cosmetic and drug store		-	1	-
Total		17	40	17	



▶ FY4/17-FY4/18 The number of closure store in dispensing pharmacy : closed 63, sold 34

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

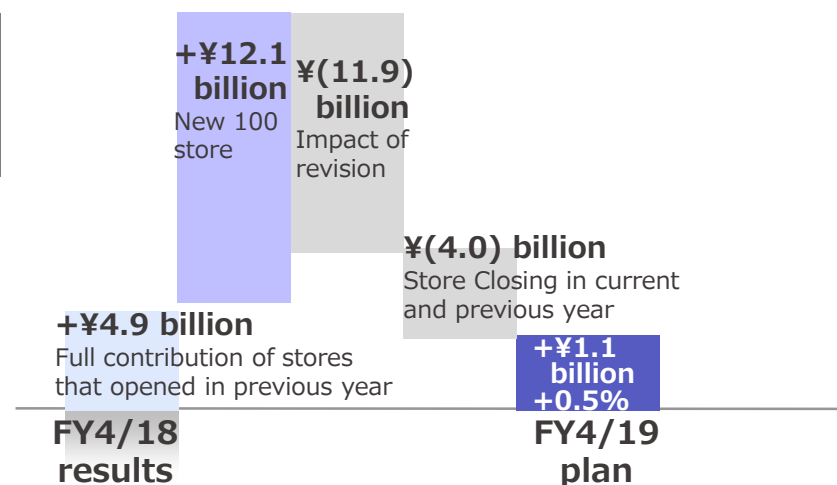


FY4/19 Plan (Dispensing Pharmacy Business)

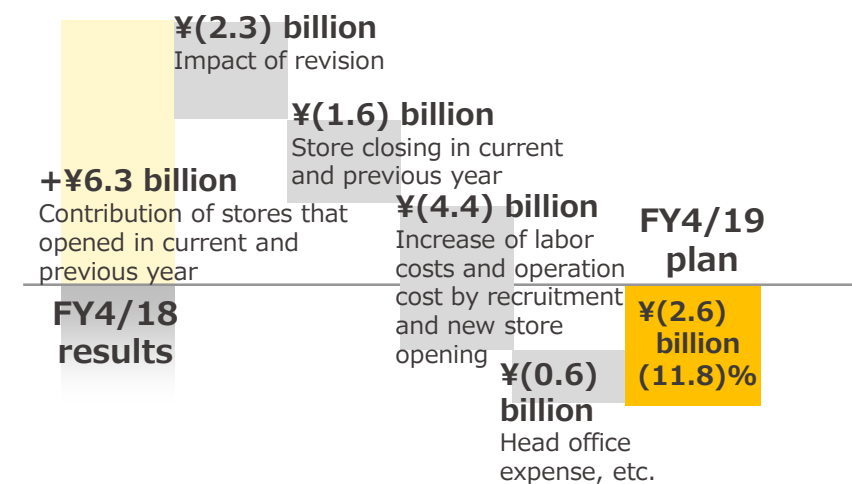
(¥ million)	FY4/18 results	FY4/19 plan	YoY change	YoY change (%)
Net sales	238,645	239,800	+1,155	+0.5
Gross profit % of net sales	36,030 15.1	34,500 14.4	(1,530)	(4.2)
SG&A expenses % of net sales	14,034 5.9	15,200 6.3	+1,166	+8.3
Operating income % of net sales	21,995 9.2	19,300 8.0	(2,695)	(12.3)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

ABENO HOOP

Location

Abeno-ku, Osaka

Open

Apr 10, 2019
(plan)

Sales floor

301m²



UMEDA HEFIVE

Location

Kita-ku, Osaka

Open

Apr 19, 2019
(plan)

Sales floor

566m²





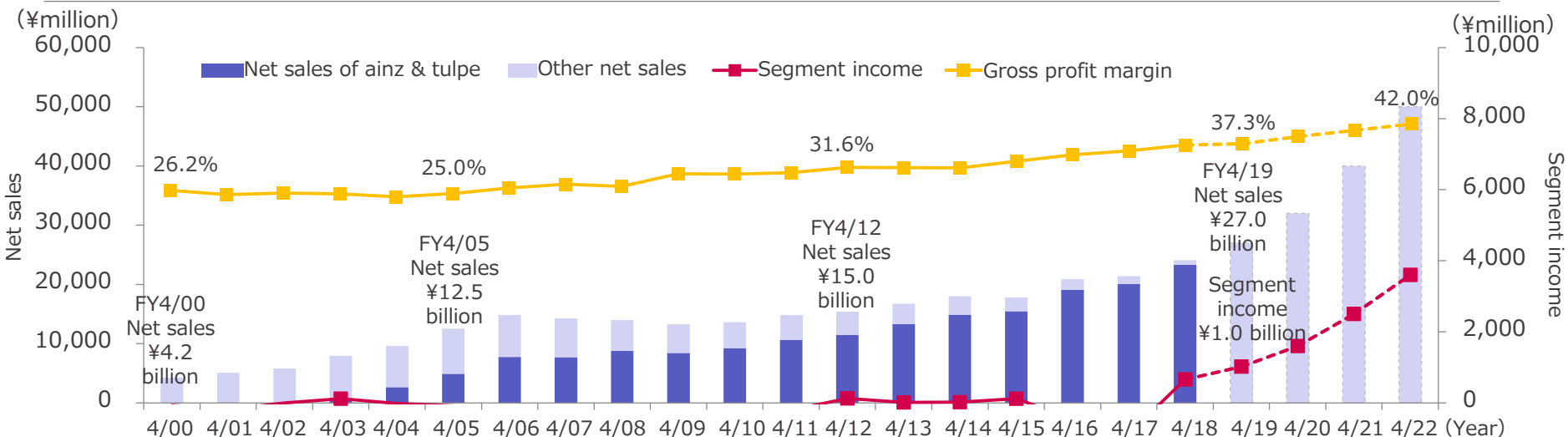
Expansion of AINZ & TULPE

Year FY 4/00 FY 4/02 FY 4/04 FY 4/06 FY 4/08 FY 4/10 FY 4/12 FY 4/14 FY 4/16 FY 4/18 FY 4/20 FY 4/22

Strategy

- First ainz & tulpe**
SAPPORO CHIKAGAI
- Expanded Nationwide**
HARAJUKU QUEST
- Open department store**
IKEBUKURO SEIBU
- Open store inside the station**
Tokyo Station
- Flagship store in metropolitan area**
SHINJUKU HIGASIGUCHI
- Complex facility**
Le trois
- Renewal of SAPPORO CHIKAGAI**
SAPPORO CHIKAGAI

KEIO DEPARTMENT STORE SHINJUKU
SHIBUYA KOENDORI



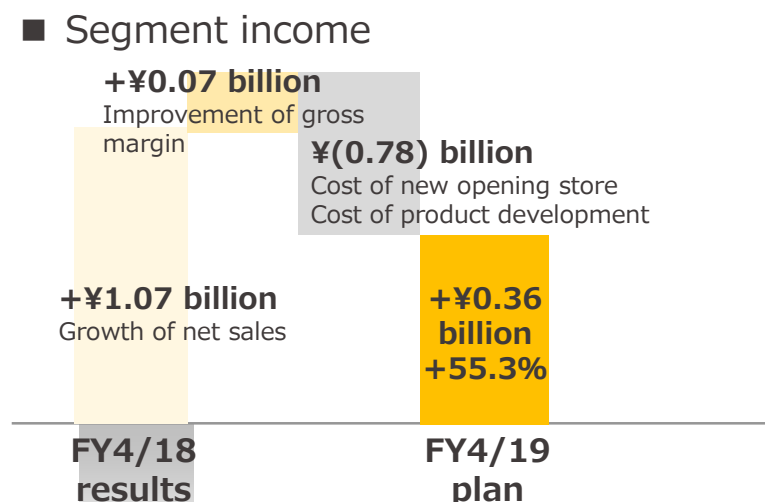
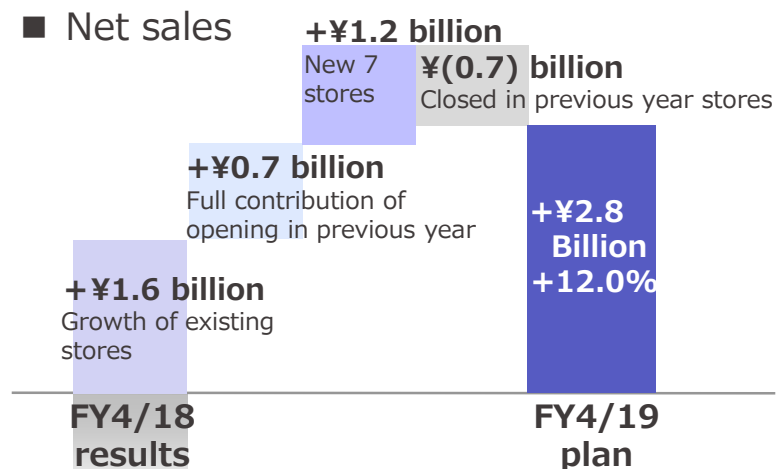
	4/00	4/01	4/02	4/03	4/04	4/05	4/06	4/07	4/08	4/09	4/10	4/11	4/12	4/13	4/14	4/15	4/16	4/17	4/18	4/19	4/20	4/21	4/22
Net sales (¥billion)	4.2	5.0	5.8	7.9	9.5	12.5	14.8	14.2	13.9	13.2	13.6	14.8	15.3	16.7	17.9	17.8	20.8	21.3	24.1	27.0	32.0	40.0	50.0
Segment income (¥billion)	0	(0.1)	0	0.1	0	(0.1)	(0.2)	(0.2)	(0.4)	(0.2)	(0.4)	(0.2)	0.1	0	0	0.1	(0.4)	(0.8)	0.6	1.0	-	-	-
No. of store	30	36	33	40	27	44	43	43	45	46	49	53	56	61	59	56	52	52	48	55	65	80	100
ainz & tulpe	0	0	0	1	4	9	12	13	15	18	20	26	33	39	41	41	42	45	41	50	59	72	90
Closing	0	0	5	7	16	0	4	3	1	4	2	2	4	2	5	6	9	9	8	-	-	-	-
Membership (million)	-	-	0.0	0.0	0.0	0.1	1.0	1.2	1.5	1.7	2.0	2.2	2.5	2.9	3.2	3.6	4.2	4.6	4.9	-	-	-	-



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

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FY4/19 Plan (Consolidated)

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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

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Supplementary Information



Dispensing Fee Revisions of 2018

■ Basic dispensing fee (New classification requirements)

- 1 41 pts
- 2 25 pts Over 4,000 times & 70% or Over 2,000 times & Over **85%** or Over 4,000 times from specific hospital
- 3- I 20 pts Same group over 40,000 times / month & Over 85% or lease contract with medical institution

3-II 15 pts Same group over 400,000 times / month & Over 85% or lease contract with medical institution

S 10 pts Same premises (lease contract) & Over 95%

Companies with annual net sales of approximately 43 billion yen or above

■ Community support system premiums (New) 35 pts

Basic dispensing fee 1, Inventory 1,200 items & Home healthcare services & Primary care pharmacists & Supervising pharmacist having experience 5 years, staying 1 year, 32h/week

Other than basic dispensing fee 1, have to fulfill all the following achievements

■ GE Premiums (Requirements changed)

75-80% 18pts, 80-85% 22pts, Over 85% 26pts

■ Drug use history management and guidance fee (3 classifications)

41pts BDF 41pts & handing over medication notebook & visiting within 6 months

53pts Except the above

13pts handing over medication notebook ratio under 50%

Per pharmacists per year

- ①Night · Holiday addition 400 times
- ②Narcotic drug management guidance addition 10 times
- ③Duplicate medication · Interaction prevention addition 40 times
- ④Primary care pharmacists instruction fee 40 times
- ⑤Outpatient medication support fee 12 times
- ⑥Medication adjustment support addition 1 times
- ⑦Home care services 12 times
- ⑧Medication information providing fee 60 times

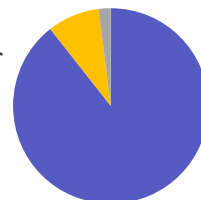
■ Primary care pharmacists instruction fee (Requirements changed)

73pts Patient's consent & 3 years experience · **Staying 1 year** · 32h/week, etc.



Company Profile

Trade name	AIN HOLDINGS INC
Representative	Kiichi Otani, President and Representative Director
Established	August 1969
Market capitalization	¥274,214 million <u>As of Mar 4, 2019</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 Apr 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>

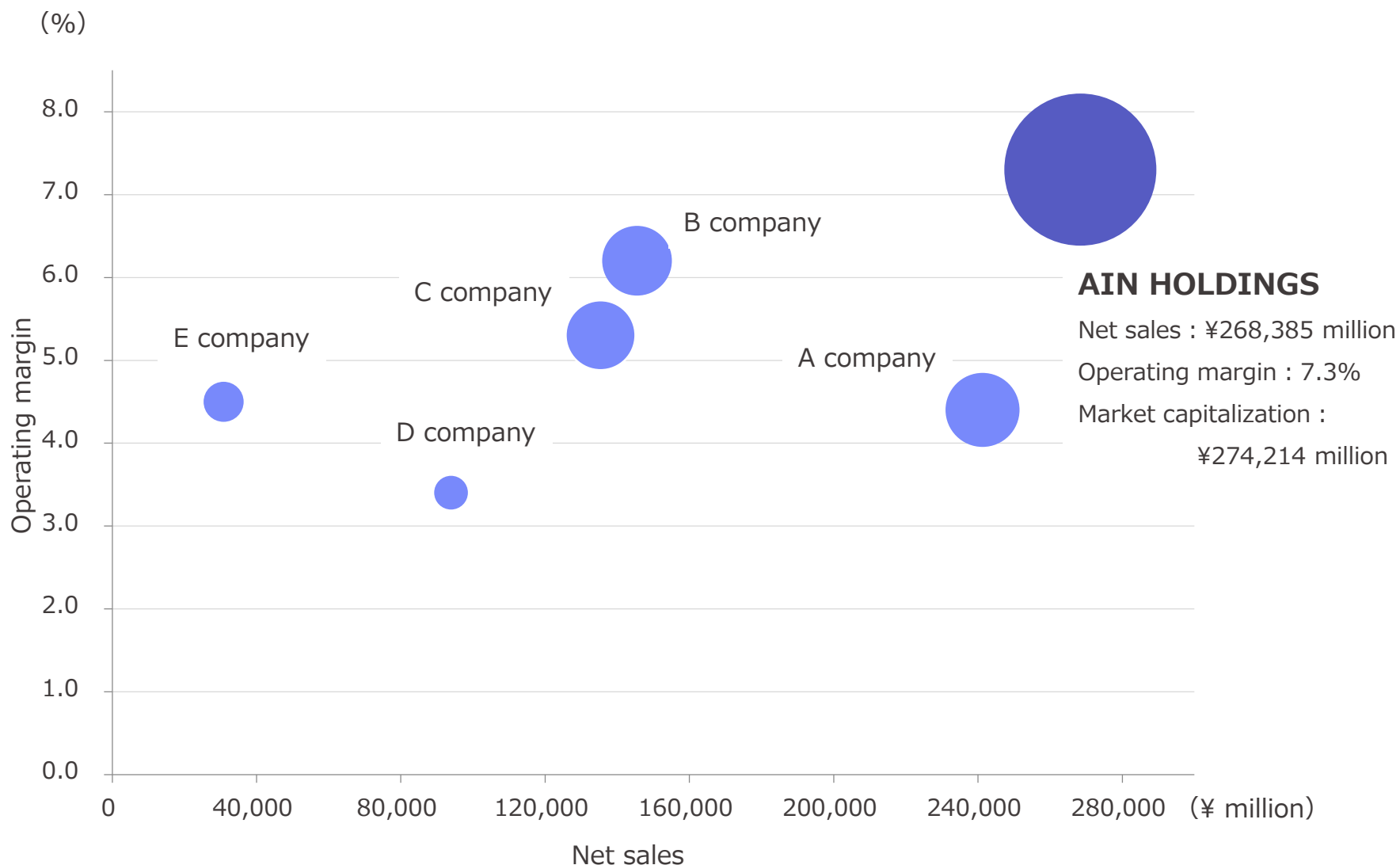


FY4/18 Consolidated net sales
¥268,385 million





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 Mar 4, 2019



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